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30 January 2017

Dear Sir/Madam

CABINET MEETING

A meeting of the Cabinet has been arranged to take place on **TUESDAY 7 FEBRUARY 2017** at **6.00 PM** in **THE COMMITTEE ROOM, DISTRICT COUNCIL HOUSE, LICHFIELD** to consider the following business.

Access to the Committee Room is via the Members' Entrance.

Yours faithfully

Neil Turner BSc (Hons) MSc
Director of Transformation & Resources

To: Members of the Cabinet

Councillors: Wilcox (Leader), Pritchard (Deputy Leader), Eadie, Fisher, Greatorex, Pullen, Smith and Spruce.

1. Apologies for Absence
2. Declarations of Interest
3. Strategic Plan 2016-20 Corporate Annual Action Plan - 2017/18 (copy attached)
4. Money Matters 2016/17: Review of Financial Performance Against the Financial Strategy (copy attached)
5. Medium Term Financial Strategy (Revenue & Capital) 2016-21 (copy attached)
6. Adoption of Community Infrastructure Levy Regulation 123 List (copy attached)
7. HS2 Service Level Agreement to Recover Phase One Local Authority Costs (copy attached)
8. To Receive the Minutes of the Meeting of the Parish Forum held on 10 January 2017 (copy attached)

STRATEGIC PLAN 2016-20
CORPORATE ANNUAL ACTION PLAN – 2017/18

Report of the Leader and Cabinet Member for Community

Date:	7 February 2017
Agenda Item:	3
Contact Officer:	Neil Turner
Tel Number:	01543 308761
Email:	Neil.Turner@lichfielddc.gov.uk
Key Decision?	**YES**
Local Ward Members	Relevant to all wards

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CABINET

1. Executive Summary

1.1 The Strategic Plan 2016-20 describes the strategic objectives of the Council. In order to achieve the Council's strategic objectives, there needs to be mechanism to ensure that there are clear plans and targets for each financial year and that the budget is aligned accordingly.

1.2 This report describes the top issues that the Council may wish to focus on during 2017/18 in support of the strategic plan. These are set out at **APPENDIX A** in the draft Corporate Annual Action Plan (CAAP). The CAAP is underpinned by the Action Plans for each of the Services and these are being considered by the O&S Committees during January, February and March.

1.3 Cabinet is requested to consider whether it believes the most appropriate and relevant issues have been selected, that there is a 'good fit' with the Strategic Plan and that the expected outcomes are sufficiently ambitious, realistic and measureable.

2. Recommendations

2.1 Members are requested to approve the Corporate Annual Action Plan 2017/18 which is attached at **Appendix A** and note the proposed Key Performance Indicators at **Appendix B**.

3. Background

3.1 The 2016-20 Strategic Plan was adopted in February 2016 and was prepared having regard to local socio-economic data (complied by the Staffordshire Intelligence Hub); manifesto commitments; consultation feedback; and the availability of resources.

3.2 Each year the council adopts a one year Corporate Annual Action Plan which describes the key activities and projects, measures and targets the Council intends to deliver over the next financial year. The CAAP is approved by Cabinet and Council in February at the same time that the budget is approved.

3.3 The CAAP focuses on the areas of work that are considered to be of most strategic importance and the actions have been aligned with the council's four strategic priorities.

3.4 The CAAP is the high-level action plan for the council and its targets will cascade into a series of Service Annual Action Plans which are being considered by O&S Committees during the early part of 2017. The Service Annual Action Plans will then inform the Service Plans which are due for completion by May 2017.

3.5 In turn, the targets in the Service Annual Action Plans can be aligned with team and individual performance targets in 2017/18.

3.6 The draft CAAP has been prepared in consultation with Leadership Team and individual Cabinet Members.

3.7 Progress against the CAAP will be presented to Cabinet in December 2017 and June 2018.

3.8 The CAAP identifies projects, milestones and activities of the council and others. This year, a column identifying potential risk rating has also been added to provide an insight into the complexity and impact that are associated with each action.

3.9 A basket of corporate key performance indicators has also been defined to evidence outcomes and the difference that the CAAP may make to the district. It is intended that these KPIs are monitored throughout the year so as to be able to measure progress towards the achievement of outcomes. The draft KPIs are attached at **APPENDIX B**.

3.10 Following consideration by Cabinet, the document will be forwarded for approval by Full Council and will then be published on the website.

Alternative Options	The top issues were identified through discussions with Leadership Team and with respective Cabinet Members. Of course, there are numerous alternative options but the CAAP attached at Appendix A is considered to be balanced and focused on the most important issues in the delivery of the Strategic Plan.
Consultation	The selection of the top issues has had regard to the outcome of consultation (with Members, partner organisations, residents and staff) which was conducted as part of the development of the Strategic Plan. The draft CAAP was to be considered by the Strategic (Overview and Scrutiny) Committee on 30 January 2017. Any comments from the committee will be reported to the meeting.
Financial Implications	None arising directly from this report. However, Members and officers need to be mindful of ensuring that the distribution of resources and capacity is adequate to progress the items listed.
Contribution to the Delivery of the Strategic Plan	The Corporate Annual Action Plan as set out at **Appendix A** has been categorised according to the Council's four strategic priorities. The Directorate has identified at least one issue in support of each priority area • Vibrant and prosperous economy – 2 issues • Healthy and Safe – 3 issues • Clean, green and welcoming - 2 issues • A council that is fit for the future – 3 issues
Equality, Diversity and Human Rights Implications	Equality and diversity implications are dealt with at an appropriate time in the delivery of the actions in the Appendix. Overall it is anticipated that there will be a positive impact on people with protected characteristics.
Crime & Safety Issues	Crime and safety issues are dealt with at an appropriate time in the delivery of the action in the Appendix.

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	An issue which should have been included in the top issues has been over looked	The process of identifying the top issues is rigorous and gives the opportunity for elected Members and Officers to contribute. However, if another issue arises or escalates, the top issues may need to be reviewed and rescheduled.	Yellow (material)
B	A new priority emerges which could potentially be a top issue	Any new issues would need to be considered and amendments made to the existing list (with appropriate Member approvals	Yellow (material)
C	The Council has insufficient financial or staffing capacity to deliver all of the top issues	Regular progress monitoring will be undertaken including biannual reports to this Committee	Yellow (material)

Background documents

Strategic Plan 2016-2020
Reports to Strategic Overview & Scrutiny Committee January 2017

Relevant web links

APPENDIX A
7 February 2016

Draft CORPORATE ANNUAL ACTION PLAN 2017 / 18

Reference no	Ambitions	What will success look like?	Potential Risk RAG	Service Areas involved	Governance (O&S)
Vibrant and prosperous economy					
AAP1	Develop Lichfield City and Burntwood Town Centres	Start on site with Friarsgate by the end of 2017	Amber	Economic Growth	**Economic Growth, Environment & Development**
		Planning application considered for Burntwood Town Centre development by June 2017	Amber	Development	
		Implement City Centre Development Partnership Strategy including:			
		Re-integration of the tourist information centre into St Mary's Heritage Centre.	Amber	Economic Growth	**Economic Growth, Environment & Development**
		Planning application determined for new coach park by June 2017	Green	Development	
		Submit bid for restoration of Stowe Pool to HLF by June 2017.	Green	Leisure & Operational Services	**Leisure , Parks & Waste Management**

Reference no	Ambitions	What will success look like?	Potential Risk RAG	Service Areas involved	Governance (O&S)
AAP2	Encourage job creation throughout the district	Support the development of commercial sites at Liberty Park; Wall Island; Fradley Park. Review major employment allocations to facilitate development by March 2018 Identify and remove barriers to site assembly at Burntwood to facilitate town centre development Bring forward the Cricket Lane, Lichfield employment allocation	Amber Green Red Red	Economic Growth Economic Growth Economic Growth Economic Growth	**Economic Growth, Environment & Development**
Healthy and safe communities					
AAP3	Ensuring a safe, warm and accessible housing stock	95 Disabled Facilities Grant adaptions completed to allow residents to remain in their own homes. Countywide review of Adaptations completed by March 2018	Amber Green	Regulatory Services, Housing & Wellbeing	**Community, Housing & Health**
AAP4	Preventing cases of homelessness	200 cases of at-risk of homelessness prevented from becoming homeless	Green	Regulatory Services, Housing & Wellbeing	**Community, Housing & Health**

Reference no	Ambitions	What will success look like?	Potential Risk RAG	Service Areas involved	Governance (O&S)
AAP5	A more active district	Delivery of actions within the Physical Activity and Sport Strategy including:		Leisure & Operational Services	**Leisure , Parks & Waste Management**
		Adoption of a new Joint Use Agreement at Friary Grange Leisure Centre (September 2017)	Amber	Leisure & Operational Services	
		The transfer of the management and operation of 2 leisure centres to a leisure operator (January 2018)	Amber	Leisure & Operational Services	
Clean, green and welcoming places to live					
AAP6	Implement the Local Plan and promote housing growth	Planning permissions granted for 1300 homes	Amber	Development Services	**Economic Growth, Environment & Development**
		At least 633 homes built in accordance with the 5 year housing land supply trajectory for 2017/18	Red	Development Services	
		At least 158 affordable homes built in accordance with the targets of the Local Plan.	Red	Development Services	
		Strategic housing sites plan reviewed by March 2018	Green	Economic Growth	
		Adoption of Site Allocations Plan by March 2018	Green	Economic Growth	

Reference no	Ambitions	What will success look like?	Potential Risk RAG	Service Areas involved	Governance (O&S)
AAP7	Mitigating the effects on local communities and the environment of the Government's HS2 proposals	Phase 1 – Commence considering and determining applications and environmental health consents in line with qualifying authority status. Phase 2 – Ensure timely and meaningful responses to consultations on draft Environmental Impact Assessment and route design refinement.	Green Green	Economic Development/ Regulatory Services, Housing & Wellbeing	**Economic Growth, Environment & Development and Community, Housing & Health**
A council that is fit for the future					
AAP8	Implement Fit for the Future programme and outcomes of the Corporate Council Review	Delivery Plans implemented for the following reviews • Revenues and Benefits • Economic Development Complete and implement new arrangements for Scrutiny Prepare and adopt new People Strategy by March 2018 including the adoption of new • flexible working policy • car parking policy	Amber Green Amber Amber	Revenues, Benefits & Customer Services Economic Development Legal, Property & Democratic Services Corporate Services	**Strategic** **Economic Growth, Environment & Development** **Strategic** **Employment Committee**

Reference no	Ambitions	What will success look like?	Potential Risk RAG	Service Areas involved	Governance (O&S)
		Consider and agree future use of Council House by March 2018.	Amber	Legal, Property & Democratic Services	**Strategic**
AAP9	Ensure revenue and capital budgets are managed efficiently and effectively	2016/17 Accounts audited and unqualified by July 2017 Outturn at 31st March 2018 to be +/- £250,000 of the original revenue budget	Green Amber	Finance & Procurement	**Strategic**
	Reduce dependence of the revenue budget on income from government grant. Implement the four strands of the Efficiency Plan 2016 – 2020.	Maintain collection rates of council tax and non-domestic rates of at least 98.5%	Green	Revenues, Benefits & Customer Services Finance & Procurement	**Strategic**
		Adopt and implement commercialisation strategy by November 2017	Amber	Leadership Team	**Strategic**
AAP10	Encourage more customers to use digital means to interact with the council	Adopt, by May 2017, and implement innovation/channel shift/ digitisation programme	Amber	Corporate	**Strategic**
		More transactions completed on-line by customers	Green	Customer Services, Revenues & Benefits	**Strategic**

Reference no	Ambitions	What will success look like?	Potential Risk RAG	Service Areas involved	Governance (O&S)
		More processes completed with fewer interventions by staff Reduced number of telephone and face to face calls to the council.	Amber Amber	Customer Services, Revenues & Benefits	**Strategic** **Strategic**

APPENDIX B
7 February 2017

Proposed Corporate Key Performance Indicators 2017/18

Vibrant and Prosperous Economy

Outcome	PI	Description and Data Source
More jobs and more people in employment	Economic Activity Rate	Percentage of population aged 16 to 64 who are economically active (http://www.nomisweb.co.uk/)
	JSA Claimants	No of JSA Claimants (http://www.nomisweb.co.uk/)
	Industrial and commercial floorspace	New industrial and commercial floorspace built (Annual Monitoring Report)
	Jobs created	Jobs created / supported by creation and use of new industrial and commercial floorspace (To be confirmed)
More visitors	Visitor numbers	Total visitor numbers to key attractions and events (Lichfield District Tourism Association)
	Car parking admissions	Car parking tickets sold in city centre (Car Parks)
	Footfall counts	Data from BID counts in city centre (BID)
Retail strength	Retail vacancy rates	Percentage of units vacant in city centre and Burntwood town centre. (Local Survey, LDC)

Healthy and Safe Communities

Outcome	PI	Description
More people active and healthy	Active People	Number of residents aged over 14 active on at least 3 occasions per week (Active Lives)
	Active People	Number of residents aged over 14 active on at least 1 occasion per week (Active Lives)
	Concessionary LAP members	No of people holding a concessionary LAP membership. Eligibility criteria includes over 60; disabled; carer; or less affluent. (From SCUBA, Leisure & Parks LDC)
Fewer People homeless	*Homelessness Preventions*	No of successful homeless prevention cases at 6 months (Covalent)

Feeling safer	Victims of crime	Percentage of residents a victim of crime in the previous 12 months (Community Safety)
	Feelings of safety	Percentage of residents who feel unsafe in their local area (Feeling the Difference Survey)
People living independently	*DFG adaptations*	Number of completed adaptation grant projects. (Covalent) Number of people assisted by such projects. (Covalent)

Clean Green and Welcoming Places to Live

More homes available	*Planning permissions granted*	No. of homes granted planning approval (Annual Monitoring Report)
	Homes built	No. of homes completed (Annual Monitoring Report)
	Affordable homes built	No. of affordable homes (Covalent)
	Empty homes returned to occupation	No of long term empty homes returned to occupation (Housing Strategy)
Clean environment	Fly-tipping	No of incidences of fly-tipping (Streetscene)
	Removal of fly-tipping	% of incidences of fly-tipping removed within 24/48 hours (Streetscene)
Attractive open spaces	*Visitors to parks*	No. of organised events in our parks and open spaces (Covalent) No. of attendees at organised events in our parks and open spaces (Covalent)

A council fit for the future

Budgeting efficiently	*Actual cost v Budget*	Difference between actual and original budget (Finance & Procurement)
	Council Tax collection	% of council tax due collected (Revenues, Benefits & Customer Services)
	NDR collection	% of NDR due collected (Revenues, Benefits & Customer Services)
Channel Shift and Innovation	*Digital processes*	No. of processes available to the customer on-line (Channel Shift Lead)
	Customer transactions	No. of transactions with customers completed wholly digitally (Channel Shift Lead)
	Streamlining processes	No. of processes streamlined to reduce the interventions by staff (Channel Shift Lead)
	No of telephone calls	No of telephone calls into Connects (Covalent)
	No of desk enquiries	No of visitors greeted by reception (Covalent)

Performance Indicators marked in *italics* represent the council's own performance of tasks and actions.

Money Matters : 2016/17 Review of Financial Performance against the Financial Strategy

Cabinet Member for Finance and Democracy

Lichfield district council
www.lichfielddc.gov.uk

Cabinet

Date:	7 February 2017
Agenda Item:	4
Contact Officer:	Anthony Thomas
Tel Number:	01543 308012
Email:	Anthony.thomas@lichfielddc.gov.uk
Key Decision?	**YES**
Local Ward Members :	**Full Council**

1. Executive Summary

1.1 The report covers the financial performance from April to November (Eight Months) for the financial year 2016/17.

1.2 All of the Efficiency Plan targets of **(£350,000)** in 2016/17 and for 2017/18 onwards of **(£500,000)** have been achieved. In 2016/17 the target has been exceeded by **(£111,750)**.

1.3 The Revenue Budget at the Net Cost of Service level is projected to be (**£497,110)** below budget, funding is **£69,000** less than the budget and therefore the net below budget performance is **(£428,110)**.

1.4 The Original budgeted transfer to general reserves was **£8,560** as approved by Council on 23 February 2016. The Approved Budget currently shows a transfer from general reserves of **(£120,610)** and the projection contained in this report is that **£307,500** will be transferred to general reserves. Therefore, general reserves are projected to be **£428,110** higher than the Approved Budget.

1.5 The Capital Programme is projected to be below budget by **(£4,179,500)**; this will result in updates being made to the profiling of project spend to later financial years.

1.6 The Council is projected to receive lower capital receipts compared to the Approved Budget of **£1,217,480**.

1.7 In terms of Council Tax and Business Rates:

- The Council's collection performance on Council Tax based on debt covering all years is **76.71%** and this is consistent with previous years.
- There is a projected surplus for Council Tax and the Council's share of (**£40,850)** will be included in the 2017/18 budget.
- The Council is projected to be paying Business Rate levy of **£488,300** to the Greater Birmingham and Solihull (GBS) pool and will receive **(£247,000)** of returned levy. This is **£63,500** more net levy than the Approved Budget after taking account of the budgeted volatility allowance.
- Therefore, overall Retained Business Rate Income after taking into account other projected changes of **£3,200**, is projected to be **£66,700** less than the Approved Budget.
- The Council's collection performance on Business Rates based on debt covering all years is **74.91%** and this is consistent with previous years.
- There is a projected surplus for Business Rates and the Council's share of **(£788,700)** will be included in the 2017/18 budget. The options available for the use of this sum will be considered in the Medium Term Financial Strategy.

1.8 The Council's investments achieved a risk status that was more secure than the aim of **A-** and yield exceeded all four of the industry standard London Interbank (LIBID) yield benchmarks.

2. Recommendations

2.1 To note the report and issues raised within.

2.2 To note that Leadership Team with Cabinet Members will continue to closely monitor and manage the Medium Term Financial Strategy (Revenue and Capital) 2016-20 (MTFS (R&C) 2016-20).

3. Background

Budget Management

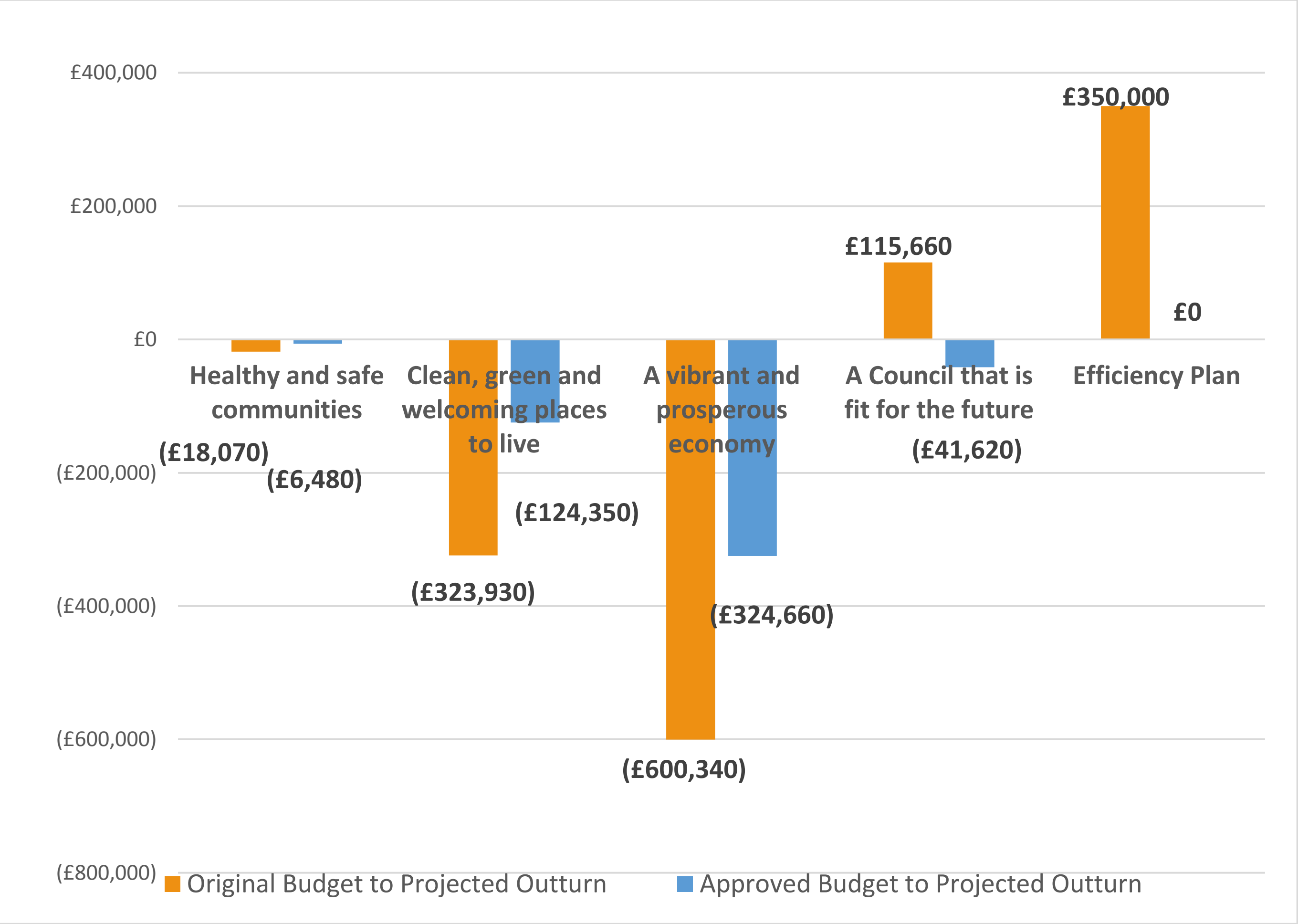
3.1. The MTFS (R&C) 2016-20 approved by Council on 23 February 2016 included the Original Budget for 2016/17 and set out the allocation of resources and the policies and parameters within which managers are required to operate.

3.2. Throughout the financial year, Money Matters reports will be provided to both Cabinet and Strategic (Overview and Scrutiny) Committee at three, six and eight month intervals to monitor financial performance.

3.3. The Money Matters reports update the Approved Budget to reflect latest projections and the eight month Money Matters report will form the basis of the Revised Approved Budget for 2016/17 and will be approved by Council on 21 February 2017.

The Revenue Budget

3.4. A summary of the financial performance at the Net Cost of Services level by the new Strategic Plan Priorities compared to both the Original Budget and the Approved Budget is shown below.



3.5. The budget audit trail and the detail related to these figures and the gross expenditure and gross income (also shown by Service Area) are shown at **APPENDIX A**.

Performance compared to the Original Budget - (£476,680)

3.6. At the Net Cost of Service level, there is projected to be a variance compared to the Original Budget related to:

- **Healthy and Safe Communities (£18,070)**:
  1. Items previously reported in the six months Money Matters Report of **(£20,760)**.
  2. Other items of **£2,690**.
- **Clean, green and welcoming places to live (£323,930)**:
  1. Items previously reported in the six months Money Matters Report of **(£206,690).**
  2. Revenues and Benefits Service Grant income **(£24,340)**, Housing Benefit Overpayments **(£28,470)**, employee savings due to vacant posts **(£22,000)**, additional income from Street Naming and Numbering and Bulky Waste **(£29,000)** and reduction in Housing Benefit Bad Debt Provision **(£59,390)**.
  3. Other items of **£45,960.**
- **A vibrant and prosperous economy (£600,340)**:
  1. Items previously reported in the six months Money Matters Report of **(£193,100).**
  2. Approved changes relating to Friargsate **(£82,580)**, the approval by Cabinet of a car parking strategy has led to net increased income in this area by **(£100,880)**, a net increase in Planning Application income by **(£113,290)**, recovery of the Planning element (50%) Legal Costs relating to the Council being successful in the High Court in defeating challenges to its Local Plan **(£44,000)** and additional rental income of **(£29,200).**
  3. Other items of **(£37,290).**
- **A Council that is fit for the future £115,660**:
  1. Items previously reported in the six months Money Matters Report of **£188,040**.
  2. Approved changes relating to the Management Restructure **(£30,760)**, recovery of Legal costs (50%) relating to the Council being successful in the High Court in defeating challenges to its Local Plan **(£44,000)** and employee savings due to vacant posts **(£25,270)**.
  3. Other items of **£27,650**.
- **Efficiency Plan £350,000:**
  1. Items previously reported in the six months Money Matters Report of **£350,000** with the details of the savings made in relation to the efficiency plan being explained below.

Performance compared to the Approved Budget – (£497,110)

3.7 At the Net Cost of Service level, there is projected to be a variance compared to Approved Budget that has been categorised as:

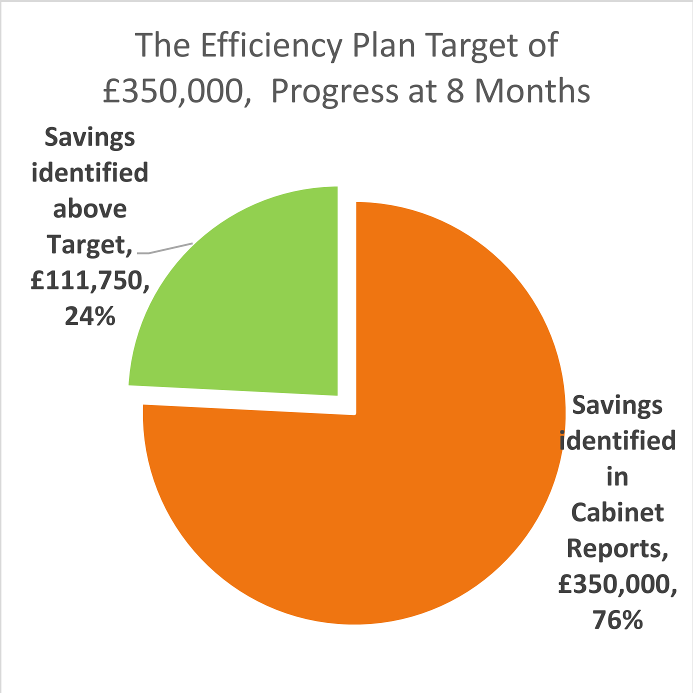
- **One-off net savings** (additional expenditure offset by additional income) of **(£386,580).** The most significant items are additional planning applications **(£113,290)**, additional Car Park income **(£100,880)** and additional income received for recovery of legal costs **(£88,000)** related to the Council being successful in the High Court in defeating challenges to its Local Plan.
- **Recurring net savings (in excess of the Efficiency Plan Target)** of **(£110,530)** resulting from ongoing savings/additional income. In 2016/17, given the Efficiency Plan target has been achieved, the over achieved sum of **(£110,530)** will be contributed to general reserves.

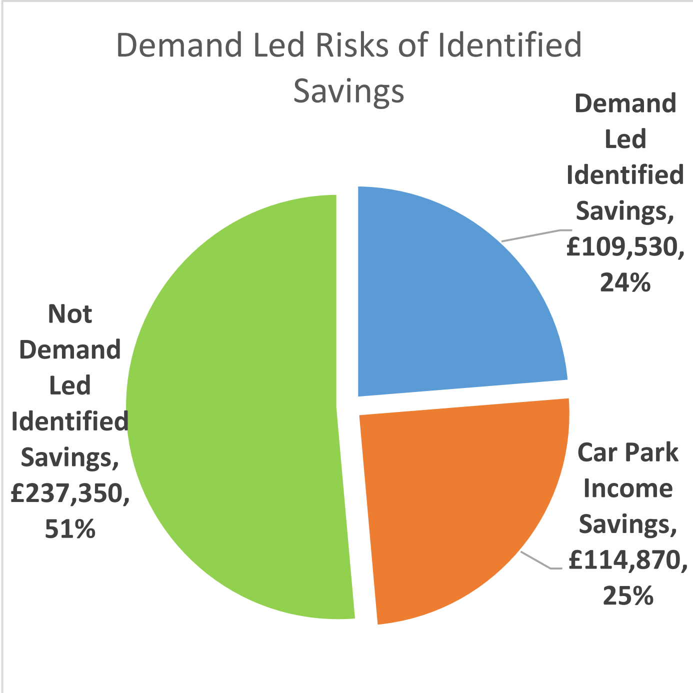
3.8 In addition, funding is projected to be below budget by **£69,000** and this will mean that general reserves will be **£428,110** higher than projected in the Approved Budget.

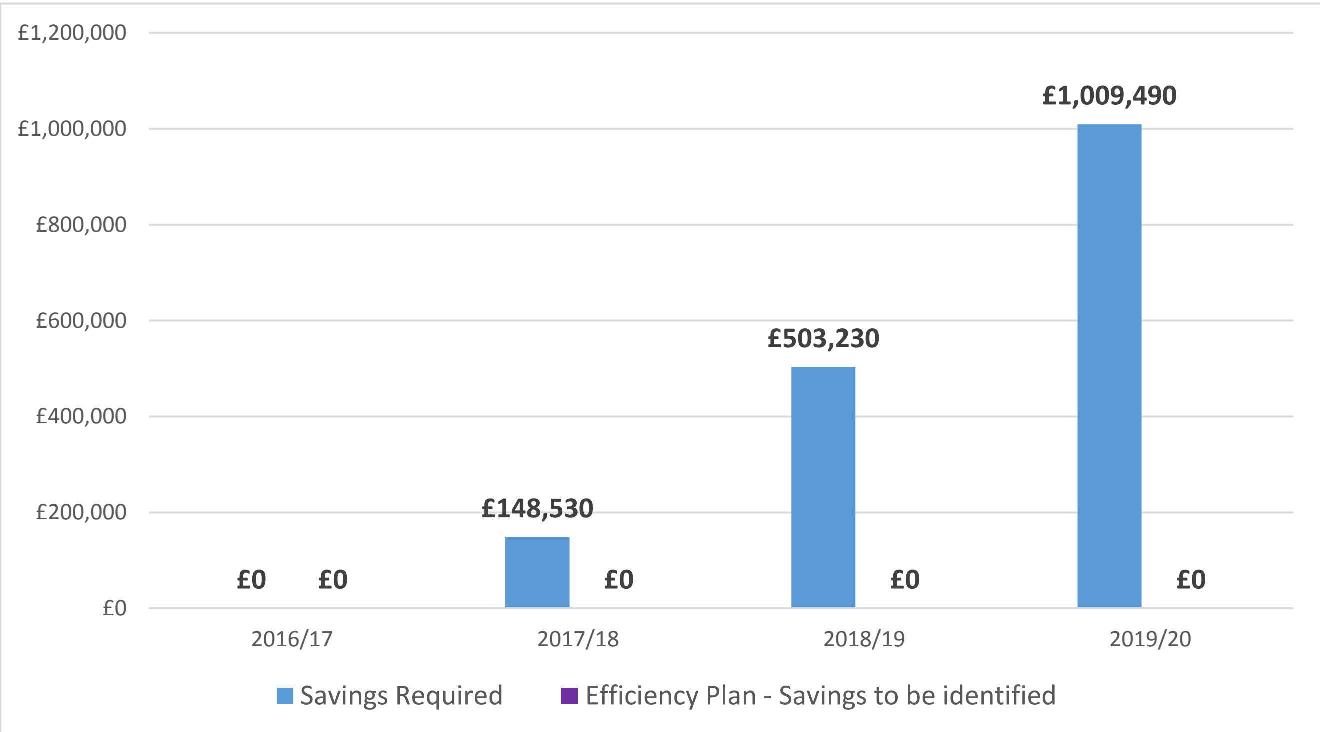
3.9 Analysis work has been undertaken to understand the reasons for this budget performance and further details are shown in **APPENDIX B**.

3.10 Ongoing savings/additional income have been identified during 2016/17 to achieve the Efficiency Plan target. The three graphs below show:

- The level of overachievement of savings compared to the Efficiency Plan target of **(£350,000)** in 2016/17.
- The reasons for ongoing savings/additional income categorised into demand led including those in housing services, additional income from the car parking review and those identified from budget reviews. The risks related to demand led budget savings will now being managed centrally rather than within individual service area budgets.
- The Council has overachieved the Efficiency Plan target of **(£500,000**) in later years and this means the Funding Gap (or further savings to be identified) has reduced over the period of the Approved MTFS.





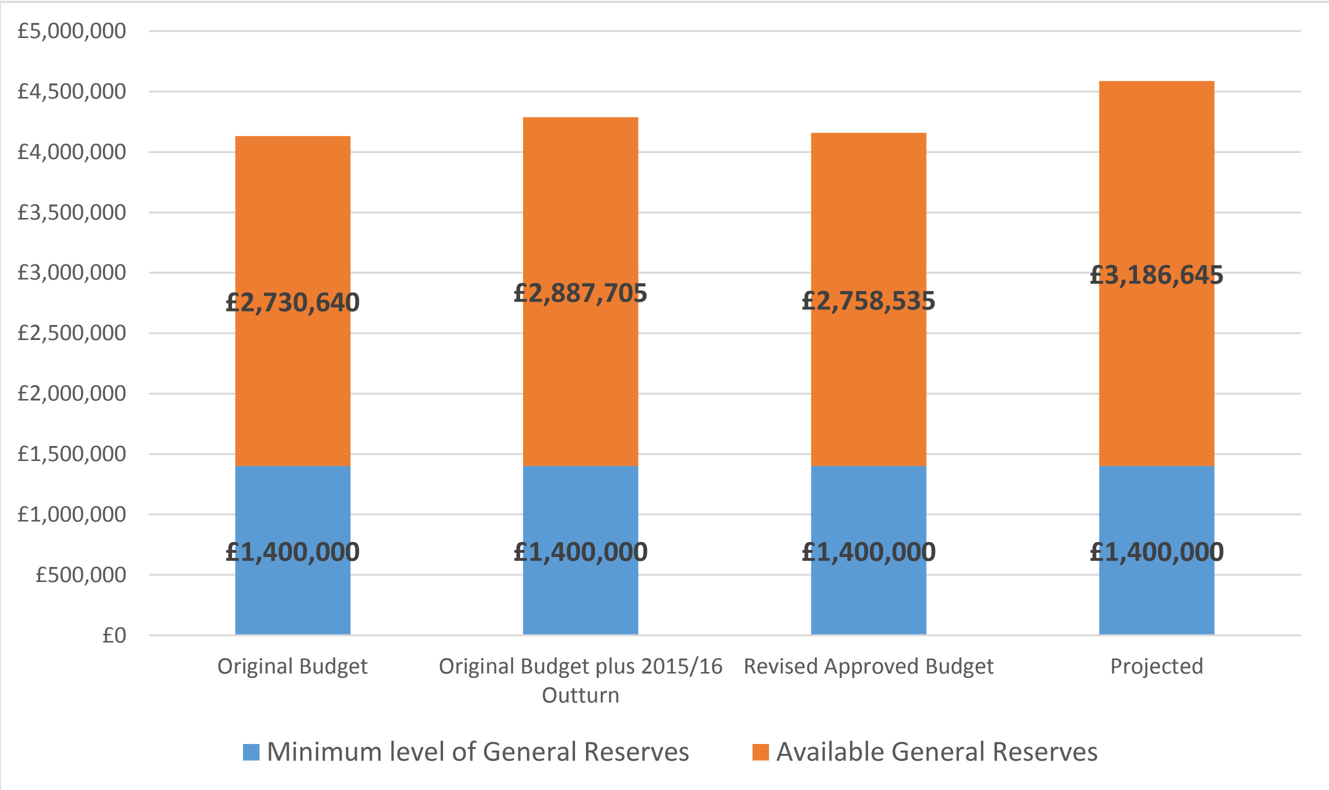


Revenue General Reserves

3.11 The Original Budgeted transfer to general reserves was **£8,560**. The Council has approved throughout the financial year transfers from general reserves of **(£129,170)** and therefore the Approved Budget shows a transfer from general reserves of **(£120,610)**.

3.12 This report identifies a projected transfer to general reserves of **£307,500** and therefore general reserves will be **£428,110** higher than the Approved Budget as shown in the graph below:

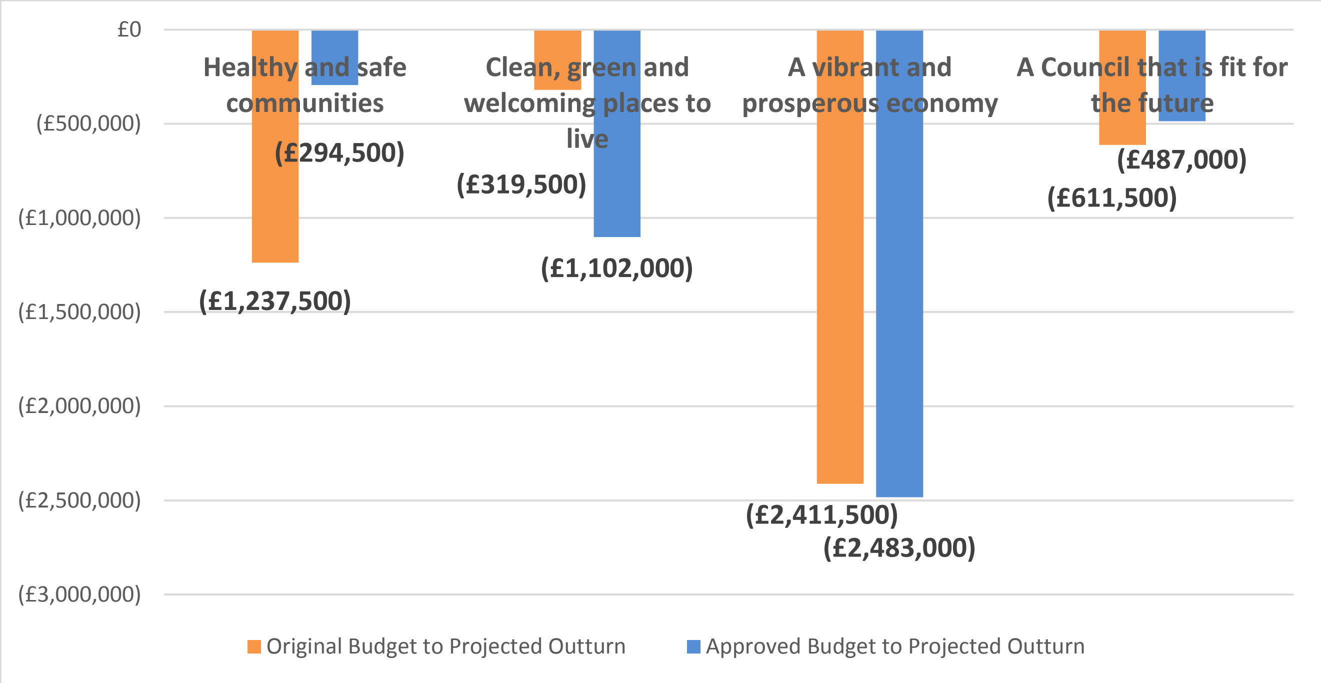
3.13 The following Revenue general reserves are available to assist the Council in meeting General Fund expenditure as part of the Medium Term Financial Strategy:



The Capital Programme

3.14 There have been no budgetary changes from the projected outturn from Money Matters Quarter 2 of **£7,291,500**.

3.15 We are projecting that the Capital Programme performance will be below budget by **(£4,366,500)** or **60%** compared to the Current Approved Budget. This below budget performance compared to both the Original and the Current Budgets is shown by the new Strategic Plan's priorities in the graph below and in detail at **APPENDIX C**:



Performance compared to the Original Budget - (£4,580,000)

3.16. There is a projected variance compared to the Original Budget related to:

- **Healthy and Safe Communities (£1,237,500)**:
    1. Items previously reported in the six months Money Matters Report of **(£943,000)**.
    2. Hawksyard Community Building **(£320,000)** has now been rephased to a later financial year to reflect latest project plans. The delivery of this project is now the responsibility of the Parish Council who have some reservations over their ability to manage and deliver a project of this nature and therefore alternative delivery options are being considered.
    3. Other projects have been rephased to later years **(£25,500)**.

- **Clean, green and welcoming places to live (£319,500):**
    1. Items previously reported in the six months Money Matters Report of **£782,500**.
    2. The Stowe Pool Improvement project has been rephased **(£550,000)**. The budget is now based on a development stage (about 10%) expected to be in 2017/18 and a delivery stage (approx. 90%) expected to take place from late 2018 until 2020/21.
    3. Vehicle Replacement **(£552,000**) has been rephased to reflect the latest plan.

- **A Vibrant and Prosperous Economy (£2,411,500)**:
    1. Items previously reported in the six months Money Matters Report of **£71,500**.
    2. The Friarsgate Support project budget has been rephased **(£2,453,000)** to reflect the Report to Cabinet on 1 November 2016 and latest project plans including the acquisition of the Police Station that is now projected to take place in October 2017.
    3. Other projects have been rephased to later years **(£30,000).**

- **A Council that is fit for the future (£611,500):**
    1. Items previously reported in the six months Money Matters Report of **(£124,500).**
    2. The IT Upgrade project **(£327,000)** and the Asset Maintenance project **(£160,000)** have been rephased to later years to reflect latest project plans.

Performance compared to the Approved Budget - (£4,366,500)

3.17. There is a projected variance compared to the Approved Budget related to:

- **Healthy and Safe Communities (£294,500)**:
    1. The Community Building at Hawksyard **(£320,000)** see above for further details.
    2. Other projects **£25,500**.
- **Clean, Green and Welcoming Places to Live (£1,102,000):**
    1. Stowe Pool Improvement project **(£550,000)** see above for further details.
    2. Vehicle Replacement **(£552,000**) see above for further details.
- **A Vibrant and Prosperous Economy (£2,483,000):**
    1. Friarsgate Support **(£2,453,000)** see above for further details.
    2. Other projects **(£30,000).**
- **A Council that is Fit for the Future (£487,000)**
    1. The IT Upgrade project **(£327,000)** see above for further details.
    2. The Asset Maintenance project **(£160,000)** see above for further details.

Capital Receipts

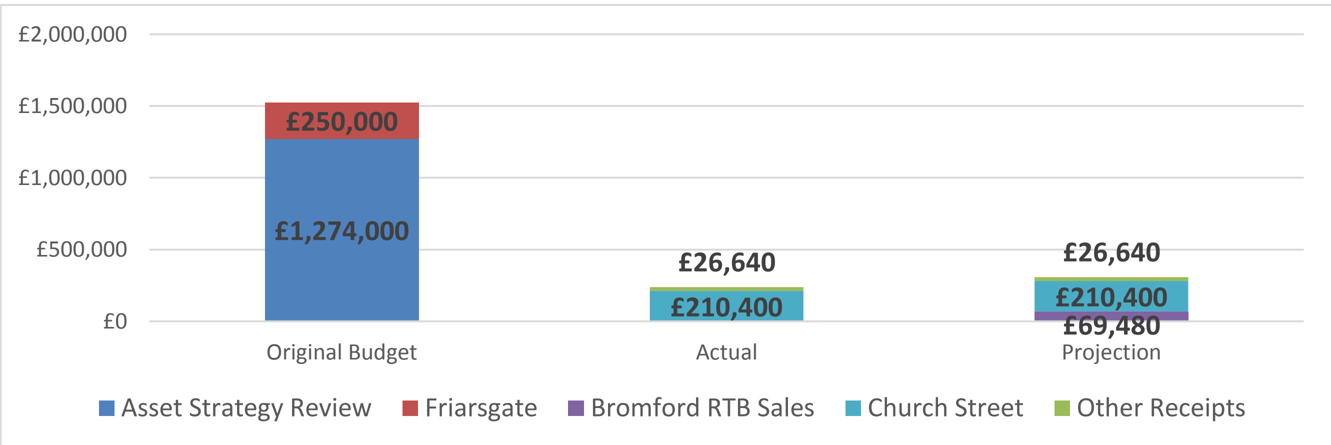
3.18. There have been **(£237,040)** of actual capital receipts received during the first eight months of 2016/17 compared to the Original and Approved Budgets of **(£1,524,000)**.

3.19. The Capital Receipt budgeted to be received as part of the Asset Strategy Review for the Bore Street Shops of **(£1,274,000)** is now projected to be received during 2017/18. However, due to the length of time since the original decision was taken, the Council is also planning to undertake an option appraisal to ascertain whether disposal remains the best option.

3.20. We are projecting capital receipts of **(£306,520)** related to:

- A land sale at Church Street for **(£210,400)**.
- The Council's share of Right to Buy sales of **(£69,480)**.
- Other small sales in excess of the Capital Receipts threshold of £10,000 of **(£26,640)**.

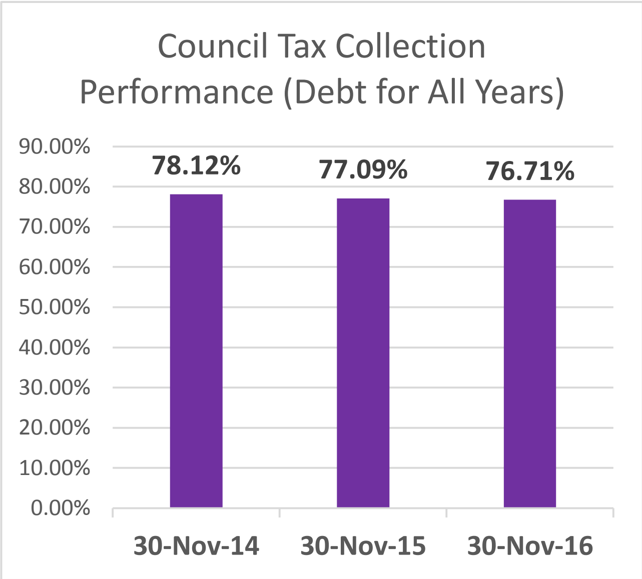
3.21. The projected Capital Receipts are **£1,217,480** lower than the Approved Budget. The Approved Budget, actual capital receipts received in the first eight months and the projected capital receipts are shown in the graph below:

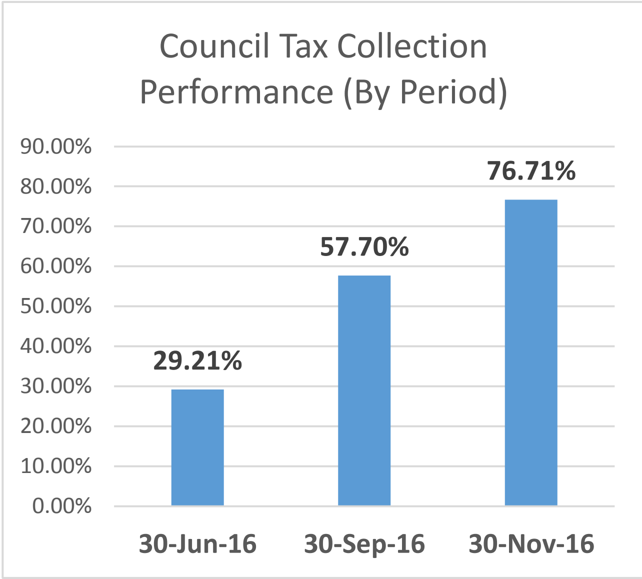


Council Tax

3.22. The Council is responsible for the collection of Council Tax for all precepting authorities in 2016/17 totalling **£56m**.

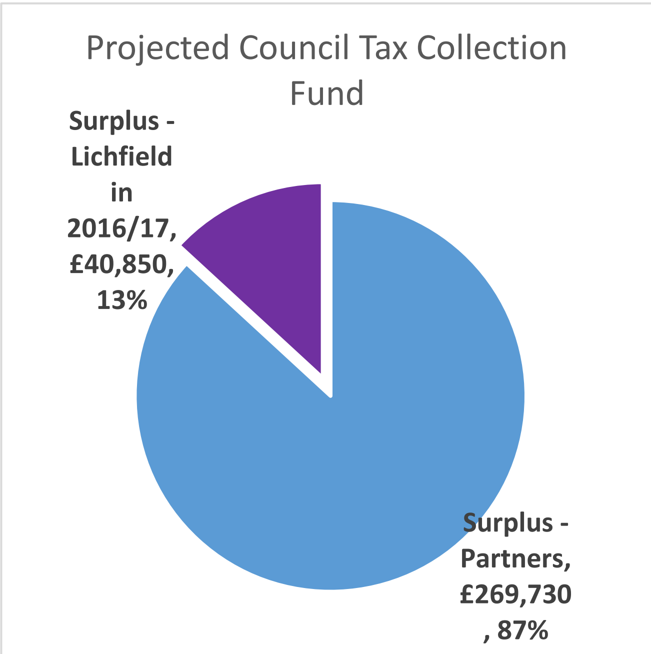
3.23. The collection performance for Council Tax for the first eight months of the last three financial years is shown in the graphs below:

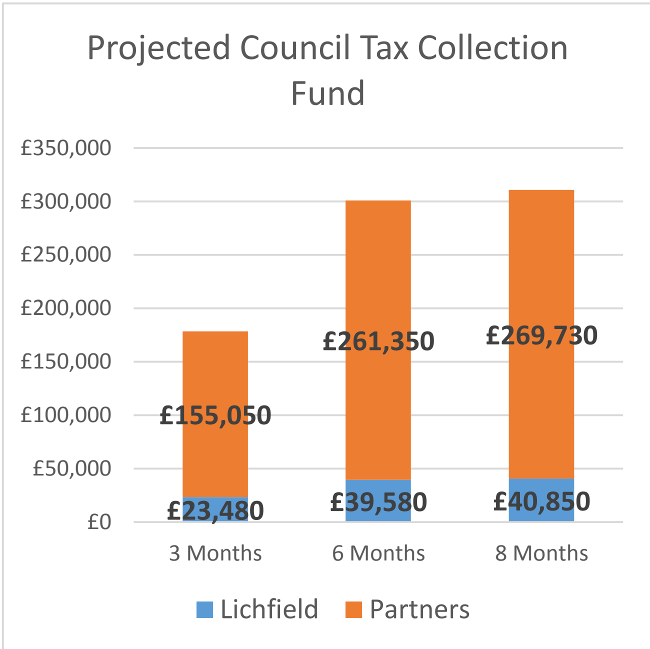




3.24. The collection performance has remained consistent with the same period in previous financial years.

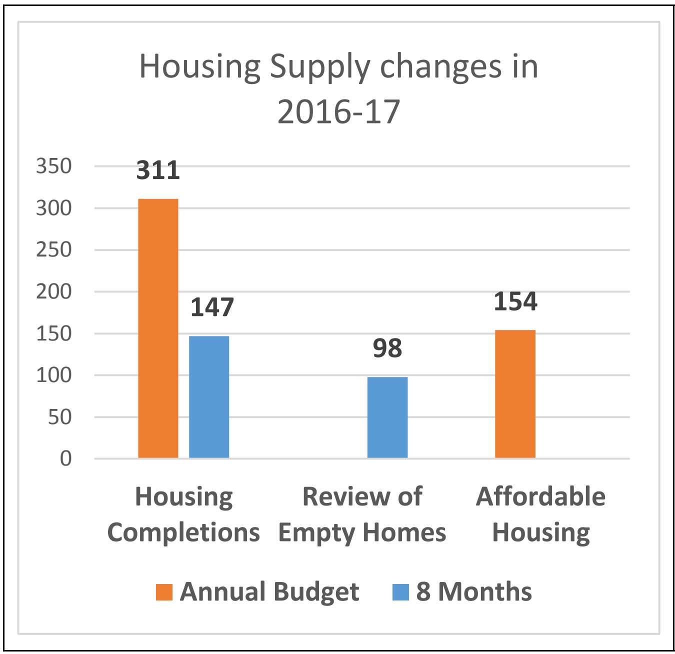
3.25. A summary of the Projected Council Tax Collection Fund performance (the Budget assumed a breakeven position) is shown in the graphs below with detail shown at **APPENDIX D** and is based on Lichfield's (including parishes) current share of Council Tax of **13%**:

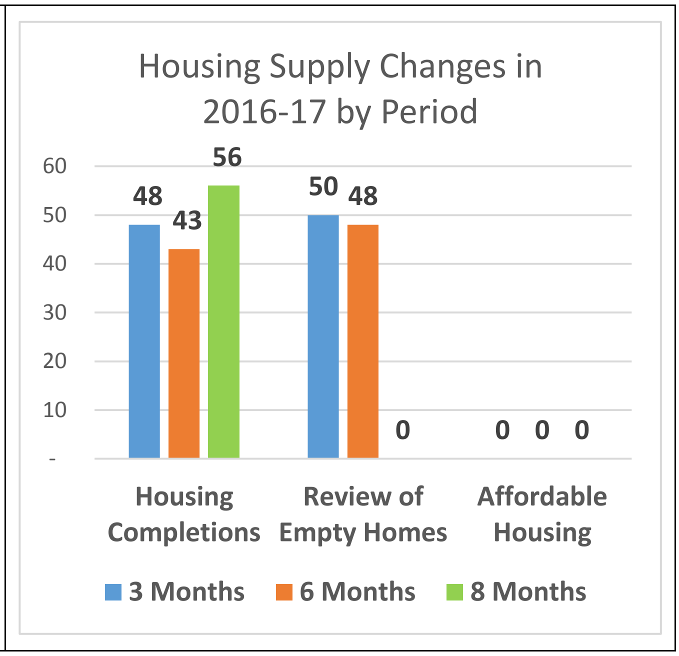




3.26. The projected surplus in 2016/17 includes the actual surplus in 2015/16 together with performance related to 2016/17. The Council's share of the projected surplus of **(£40,850)** will be included in the 2017/18 Budget.

3.27. Housing supply is one of the key assumptions in the Medium Term Financial Strategy because it impacts on the income we receive from Council Tax and New Homes Bonus. The progress to date using information on housing completions and the review of empty homes from Council Tax is shown in the two graphs below:





Business Rates

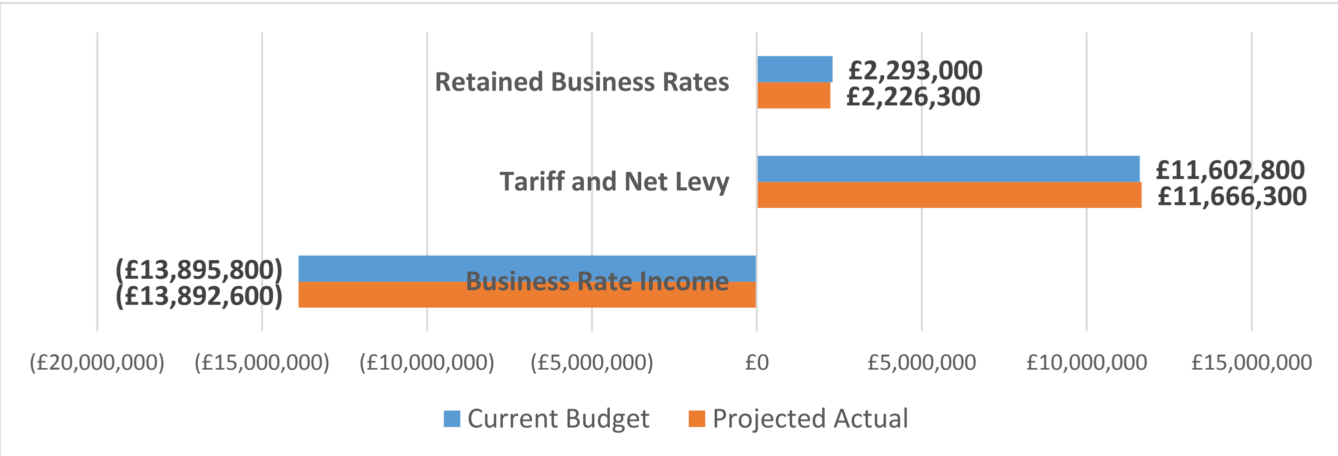
3.28. The Council will collect Business Rates for all partners in 2016/17 totalling **£35m**.

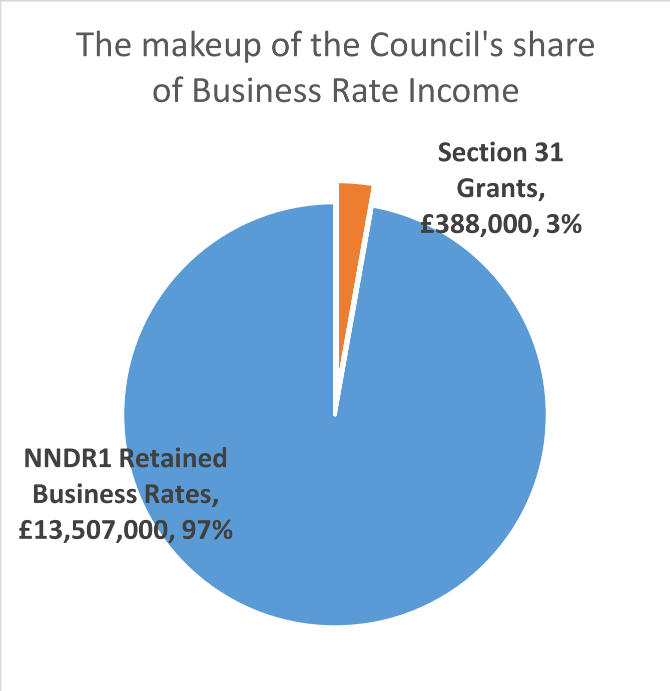
3.29. The Council receives a **40%** share of Business Rates income. The Council's share included in its budget is based on the NNDR 1 estimated level together with Section 31 grants for certain reliefs granted. The Council must then pay the Government set tariff and any net levy based on growth above the Government set baseline (or receive safety net in the event of Business Rates having reduced more than a set percentage below the baseline).

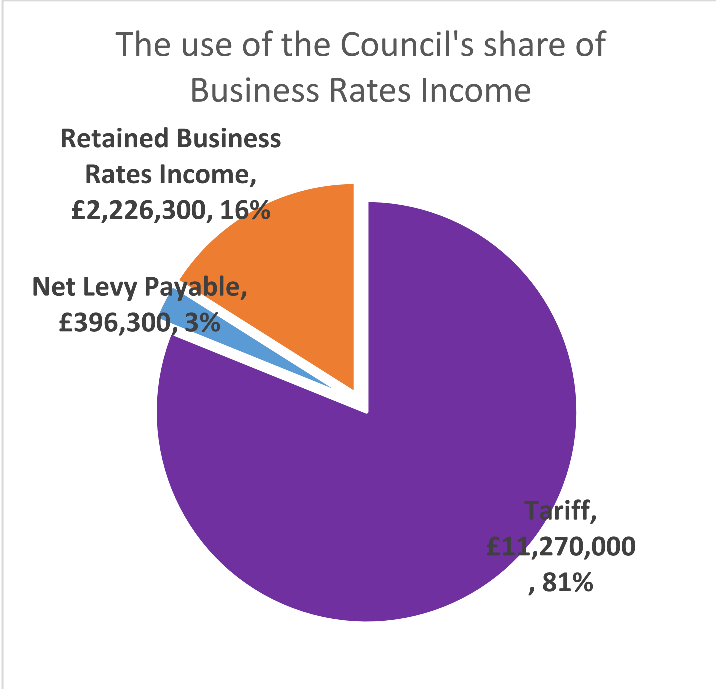
3.30. The Retained Business Rate income for 2016/17 is projected to be **(£2,226,300)** compared to the Approved Budget of **(£2,293,000),** a reduction of **£66,700.** This is because:

- The Council's in year share of Business Rates in the Collection Fund is higher than budgeted (see below for further details) and this will mean additional net levy payments that are projected at this stage to be **£63,500.**
- Projected Business Rate Income is forecast to be **£3,200** lower than the budget.

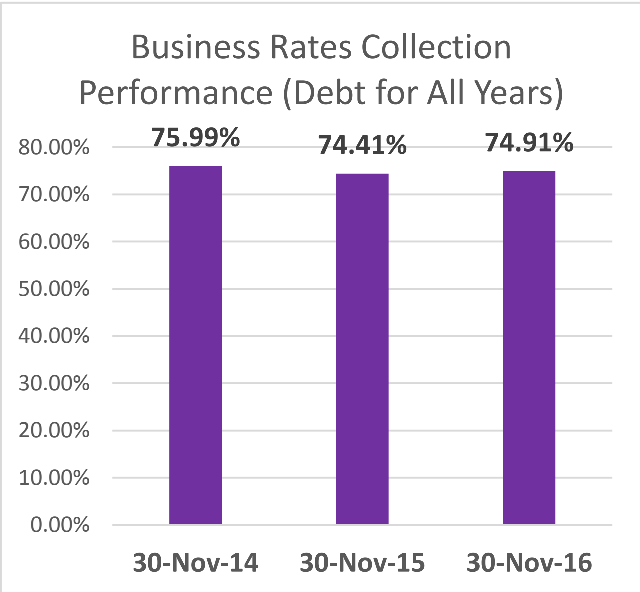
3.31. The detail of the Council's actual and budgeted share of Business Rates income, the tariff and net levy, and the Retained Business Rates in 2016/17 are shown in detail at **APPENDIX D** and in the graphs below:

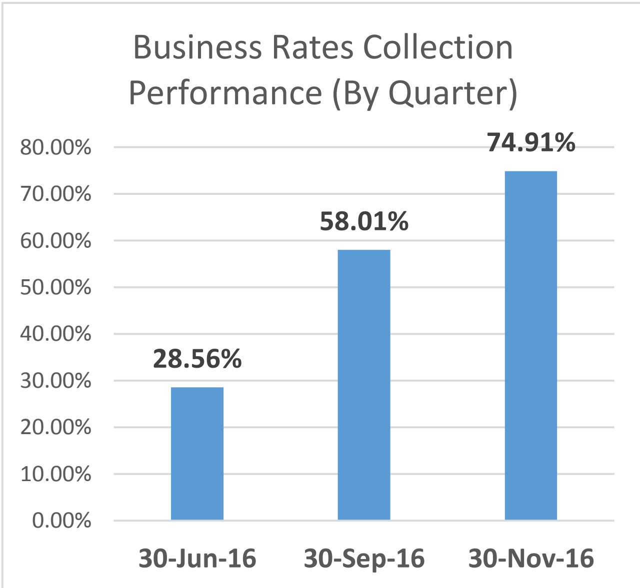






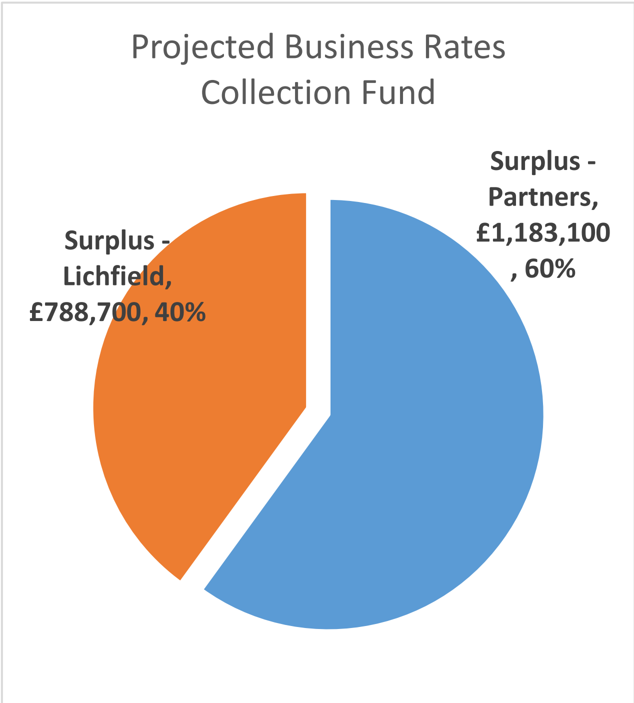
3.32 The collection performance for Business Rates for the first eight months of the last three financial years is shown in the graphs below:

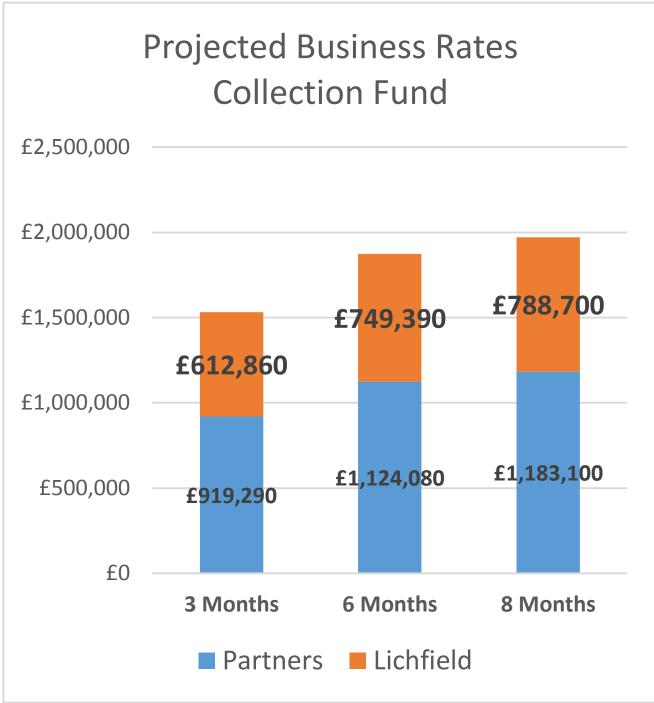




3.33 The collection performance has remained consistent with the same period in previous financial years.

3.34 A summary of the projected Business Rates Collection Fund performance is shown in the graphs below (the budget assumed a breakeven position) with detail shown at **APPENDIX D** and is based Lichfield's prescribed share of **40%**:



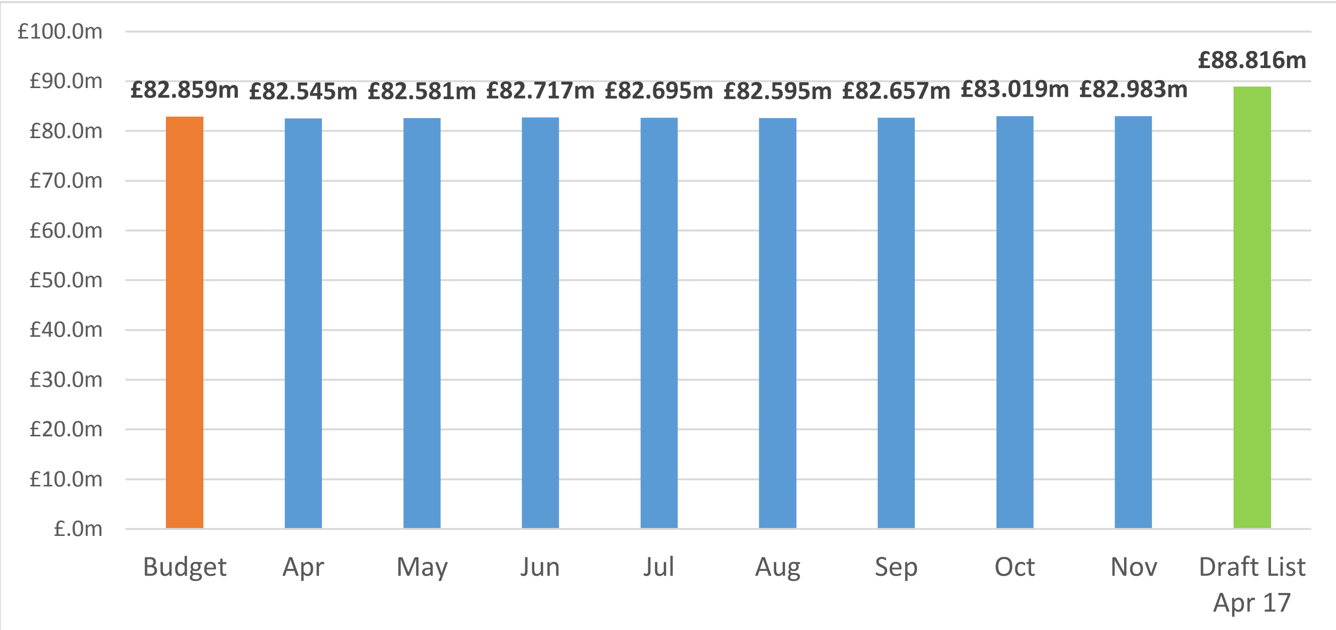


3.35 The main reasons for the surplus of **(£1,971,800)** are:

- There was a lower than projected deficit in 2015/16 of **(£1,245,000).**
- The projected gross yield from Business Rates in 2016/17 is projected to be **(£650,460)** higher than estimated.
- The relief for unoccupied premises is projected to be **(£546,650)** lower than estimated.
- Losses on collection, appeals and other costs are projected to be **£470,310** higher than estimated.

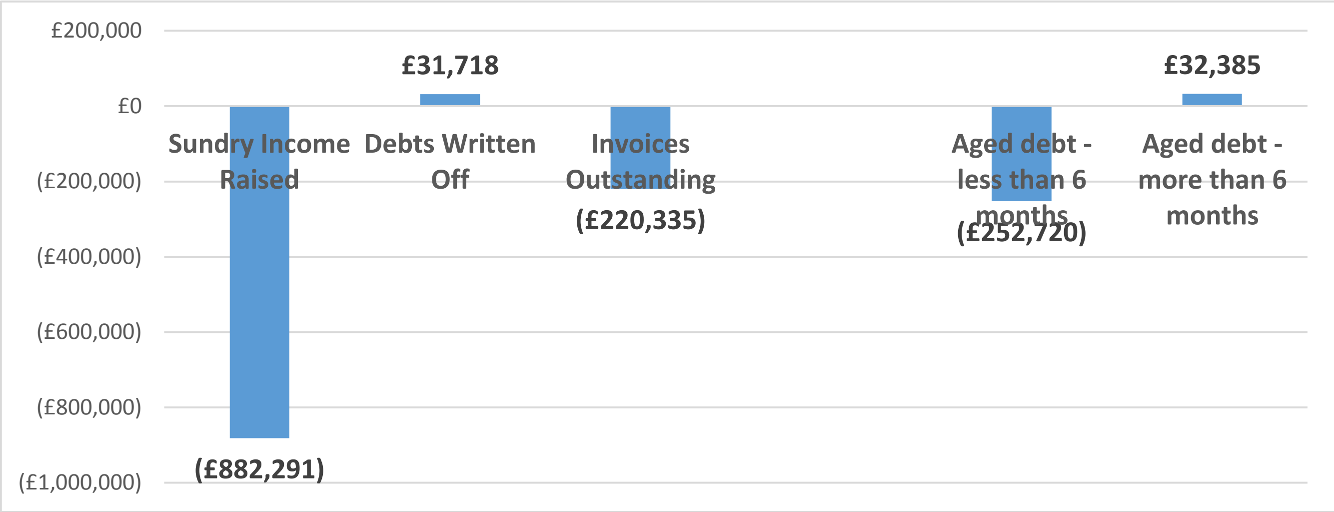
3.36 Therefore, the Council's share of the projected surplus in 2016/17 is (**£788,700)** and this will be included in the 2017/18 Budget.

3.37 Another key assumption in the Medium Term Financial Strategy is the level of growth or decline in Business Rates. The Original Budget assumed the only reduction in Rateable Value during 2016/17 would be in relation to properties impacted by the Friarsgate development. The level of Rateable Value in the first eight months compared to the Approved Budget is shown in the graph below:



Sundry Debtors

3.38 A summary of key transaction levels and collection performance for Sundry Debtors in 2016/17 compared to 2015/16 is shown in the graph below:



3.39 The collection performance is shown in detail at **APPENDIX D** and is summarised below:

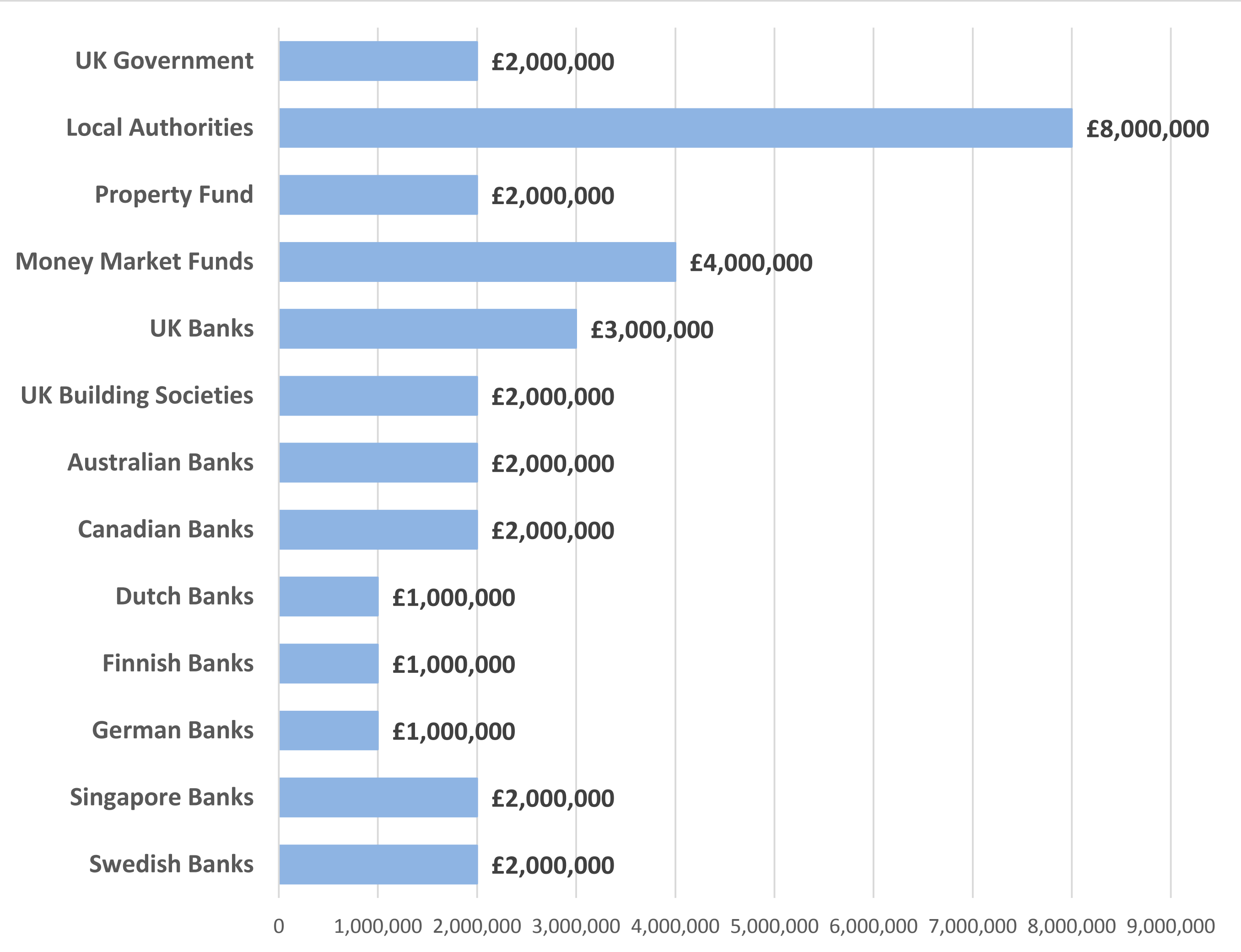
- The value of income raised has decreased by **(£882,291)** or (19.99%) due to a significant decrease in Housing Services invoices raised due to Fusion Credit taking over the loans, a reduction in Housing Benefit overpayments raised and a reduction in invoices raised at Friary Grange.
- The value of write offs has increased by **£31,718** or 244.80% due to the write off of a large Housing Benefit Overpayment invoice where the debtor has deceased.
- Overall invoices outstanding have decreased by **(£220,335)** or (11.38%)**.**
- The decrease in those outstanding for less than 6 months by **(£252,720)** or (24.04%) due to a reduction in S106 invoices and less invoices being raised (see the first bullet point).
- The increase in those outstanding for more than eight months by **£32,385** or 5.43% is due to an increase in older debts for Housing Services and Housing Benefit Overpayments. These are debts that are particularly difficult to collect due to the debtors' circumstances.

Treasury Management

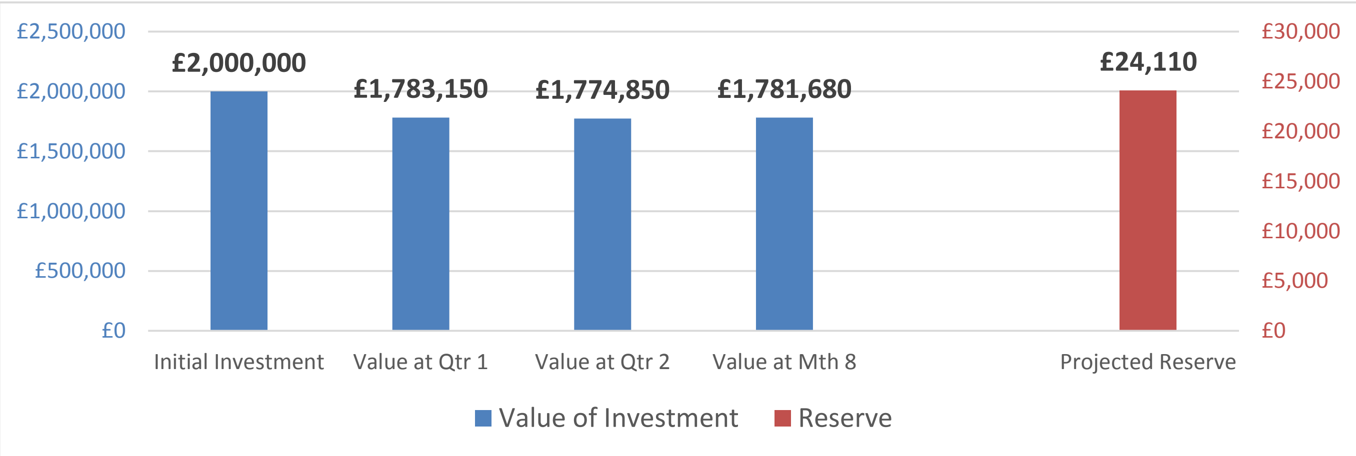
3.40. The performance of the Treasury Management function should be measured against the investment objectives of Security (the safe return of our monies), Liquidity (making sure we have sufficient money to pay for our services) and Yield (the return on our investments).

The Security of Our Investments

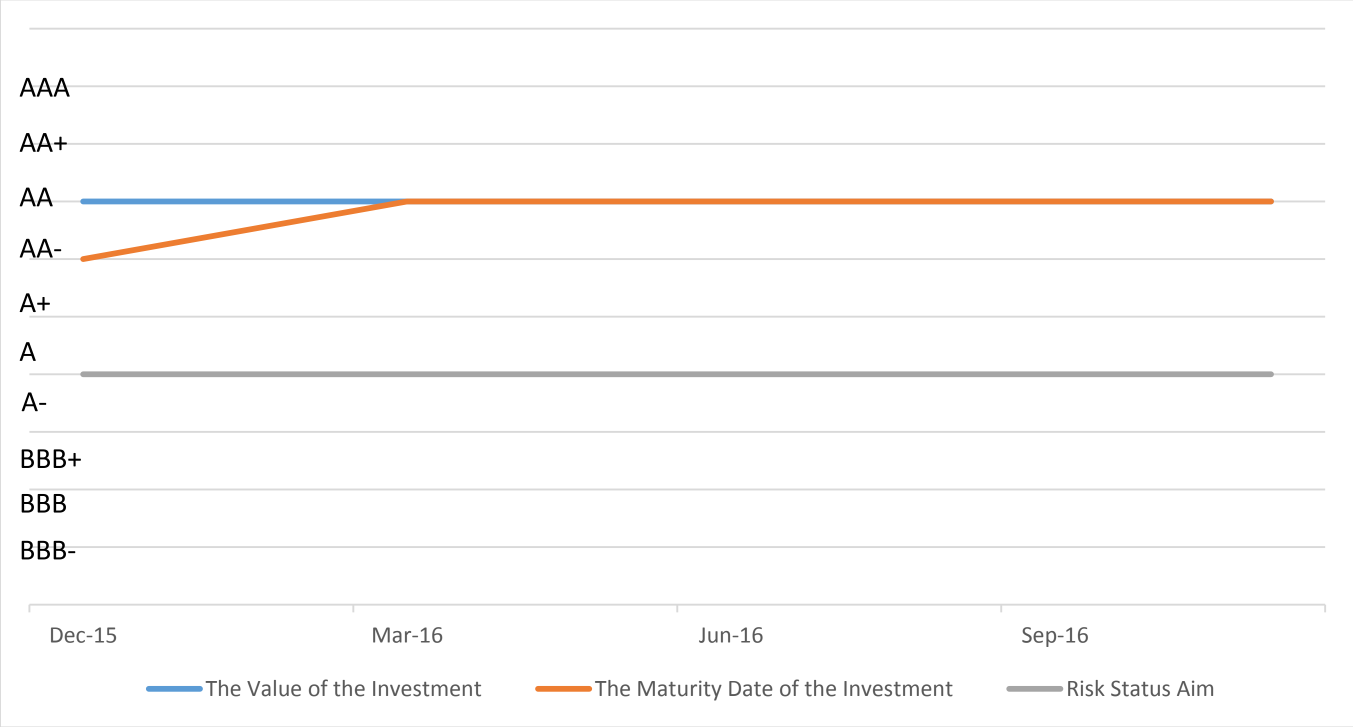
3.41. The investments the Council had at the 30 November 2016 of **£32,000,000** by type and Country are summarised in the graph below and in more detail at **APPENDIX E**:



3.42. The current value of the Property Fund investment together with the value of the projected earmarked reserve at the end of 2016/17 intended to offset reductions in value is shown in the graph below:

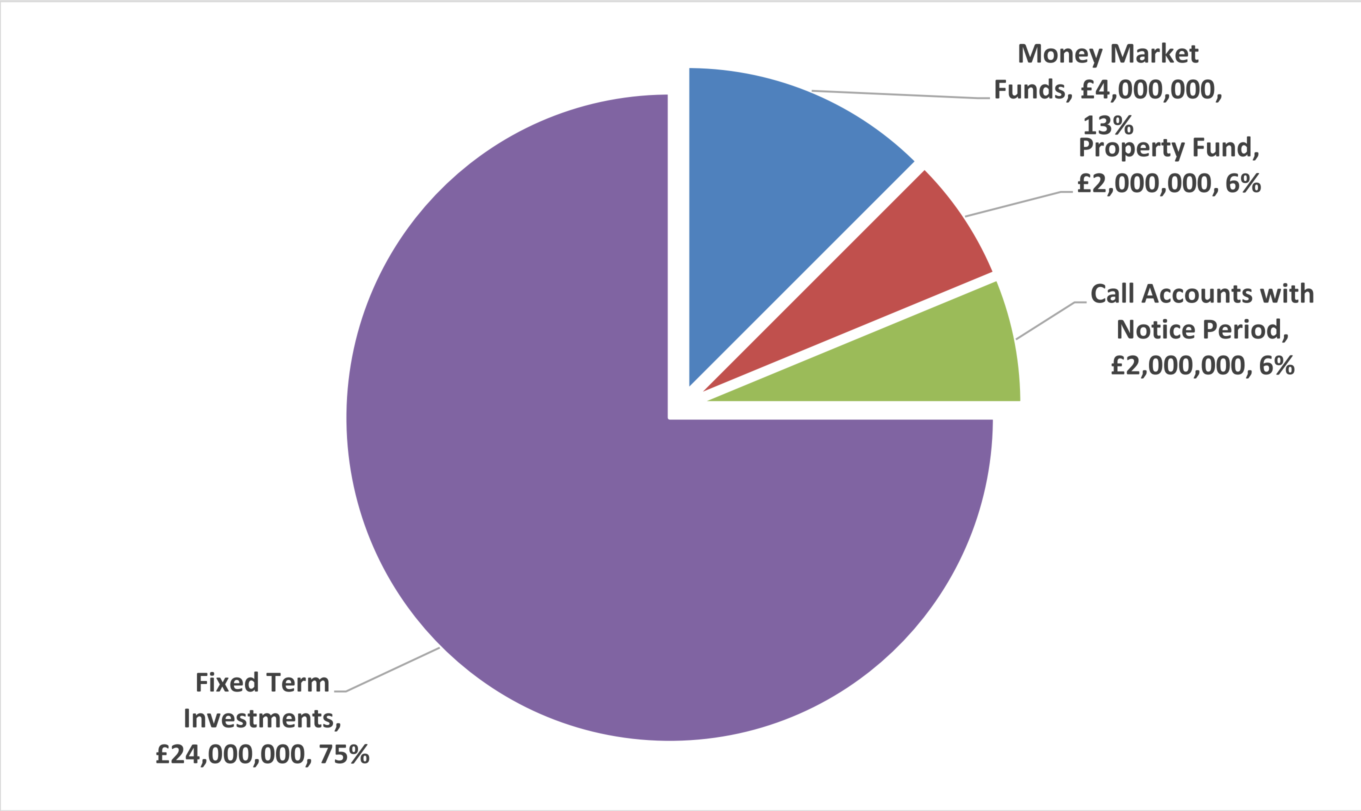


3.43. Our aim for the risk status of our investments was **A-**. The risk status based on the length of the investment and the value for a 12 month period is summarised in the graph below:



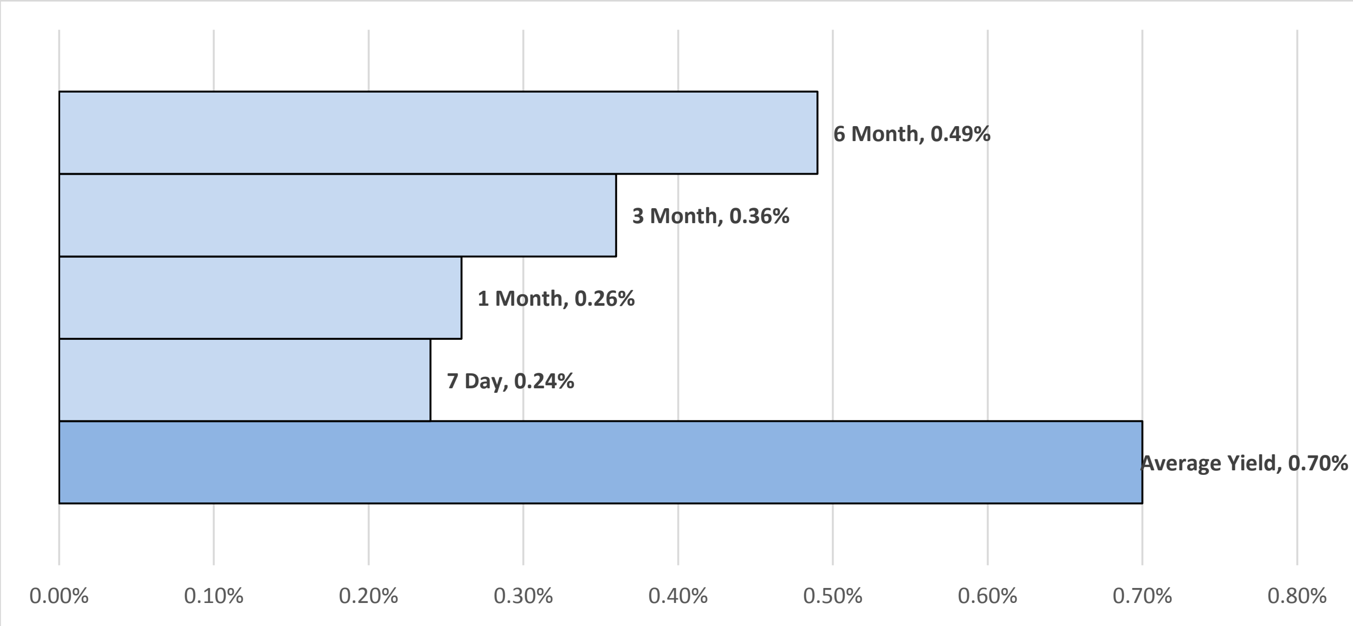
The Liquidity of our Investments

3.44. The Council has not had to temporarily borrow during 2016/17 and retains a proportion of its investments in instant access Money Market Fund investments to ensure there is sufficient cash available to pay for goods and services. The investments by type are shown in the graph below:



The Return or Yield of our Investments

3.45. The yield the Council achieved for the first eight months (the recent 0.25% reduction in interest rates will reduce the annual projected return) compared to a number of industry standard benchmarks (including our preferred benchmark of the seven day LIBID rate) is shown in the graph below:



3.46. The investment activity during the financial year is projected to generate **(£186,740)** of net investment income.

Alternative Options	There are no alternative options.

Consultation	Consultation is undertaken as part of the Strategic Plan 2016-20 and with Leadership Team.

Financial Implications	At this eight months stage in the year, for the period up to November 2016, we forecast a contribution to general reserves of **£307,500** will be made, compared to an Original budgeted contribution of **£8,560** to general reserves and an Approved Budget contribution of **(£120,610)** from general reserves. This means compared to the Approved Budget that there will be **£428,110** of additional general reserves available. Further detailed analysis on the Financial Performance up to November 2016 is shown in the attached Appendices.

Contribution to the Delivery of the Strategic Plan	The MTFS underpins the delivery of the Strategic Plan 2016-20.

Equality, Diversity and Human Rights Implications	There are no additional Equality, Diversity or Human Rights implications.

Crime & Safety Issues	There are no additional Crime and Safety Issues.

	Risk Description	How We Manage It	Severity of Risk
A	Management of the Council's Revenue and Capital budget is critical to the successful delivery of key Council priorities, and control measures need to be in place to manage the re-scheduling or re-profiling of projects and to respond to the changing financial climate including the impact of the EU Referendum	Close monitoring of expenditure. Maximising the potential of efficiency gains. Early identification of any unexpected impact on costs, for example, central Government policy, movement in the markets, and changes in the economic climate. Prioritisation of capital expenditure. Project management of projects.	Red - Severe
B	Counterparty default	This Approved Annual Investment Strategy utilises more counterparties and financial instruments to diversify the portfolio and reduce this risk.	Yellow - Material
C	Collection performance for Council Tax and Business Rates reduces.	Regular monitoring in the Money Matters Reports throughout the financial year.	Yellow - Material
D	Actual cash flows are different to those that are planned	The Council maintains a comprehensive cash flow model that is updated on a daily basis to reflect actual and planned cash flows. An element of the Council's investment portfolio will be invested in instant access accounts.	Yellow - Material
E	Planned capital receipts are not received	The Council plans to dispose of a number of assets to fund capital investment including the Bore Street Shops. The sale of the Bore Street Shops is being monitored closely to ensure any subsequent financial implications are included in the MTFS.	Red - Severe
F	New Government policies including the level of cuts to Communities and Local Government	To ensure any new policies such as those related to Business Rates and New Homes Bonus are evaluated and the impact is incorporated into the MTFS.	Red - Severe

Background Documents	• CIPFA Code of Practice for Treasury Management in the Public Services • The Prudential Code for Capital Finance in Local Authorities • Money Matters: Calculation Of Business Rates – National Non Domestic Rates 2016/17 and Council Tax Base 2016/17, together with Collection Fund Surplus / (Deficit) For 2015/16 – 12 January 2016 • Money Matters: Medium Term Financial Strategy (Revenue and Capital) 2016-20 Cabinet - 9 February 2016 • Procurement of Contract Hire Vehicles – Cabinet 9 February 2016 • Review of the Civic Function – Cabinet 5 April 2016 • Re-procurement of property and place related software applications – Cabinet 5 April 2016 • Re-procurement of Desktop Operating Software Contract – Cabinet 5 April 2016 • Approval of Formal Car Parking Strategy – Cabinet 10 May 2016 • Proposed Revised Charges for Street Naming and Numbering – Cabinet 5 July 2016 • Broadband Connections – Cabinet 5 July 2016 • Money Matters : 2016/17 Review of Financial Performance against the Financial Strategy – Cabinet 6 September 2016 • Friarsgate – Coach Park Lease – 4 October 2016 • Friarsgate - Amendments to the Development Agreement – Cabinet 1 November 2016 • Money Matters : 2016/17 Review of Financial Performance against the Financial Strategy – Cabinet 6 December 2016 • Money Matters : Council Tax, National Non Domestic Rates and Pension Contributions – Cabinet 17 January 2017

Relevant web link	

Transfers from General Reserves

Cabinet Date	Report Title	2016/17
05/04/2016	Re-procurement of property and place related software applications	19,500
05/07/2016	Fit for the Future Leisure Review Appointment of Professional Advisors	100,000
06/09/2016	Money Matters : 2016/17 Quarter 1 One-Off Costs	2,940
06/12/2016	Money Matters : 2016/17 Quarter 2 One-Off Costs	6,730
	General Reserve	**£129,170**

Cabinet Reports

Cabinet Date	Report Title	2016/17	2017/18	2018/19	2019/20
09/02/2016	Procurement of Contract Hire Vehicles	(17,870)	(17,870)	(17,870)	(17,870)
05/04/2016	Review of the Civic Function	(5,810)	(7,380)	(7,380)	(7,380)
05/04/2016	Re-procurement of property and place related software applications	4,930	3,930	3,400	2,850
05/04/2016	Re-procurement of Desktop Operating Software Contract	2,800	2,800	2,800	2,800
10/05/2016	Approval of Formal Car Parking Strategy	(114,870)	(172,300)	(172,300)	(172,300)
05/07/2016	Proposed Revised Charges for Street Naming and Numbering	(4,530)	(10,200)	(10,200)	(10,200)
05/07/2016	Broadband connections	7,490	7,490	7,490	7,490
06/09/2016	Money Matters : 2015/16 Review of Financial Performance against the Financial Strategy	(29,690)	(29,690)	(29,690)	(29,690)
06/09/2016	Money Matters : 2016/17 Quarter 1 Recurring Savings	(75,670)	(75,670)	(75,670)	(75,670)
06/12/2016	Money Matters : 2016/17 Quarter 2 Recurring Savings	(116,780)	(116,780)	(116,780)	(116,780)
06/12/2016	Money Matters : 2016/17 Quarter 2 Recurring Savings beyond target	0	(1,220)	(1,220)	(1,220)
	Efficiency Plan	**(£350,000)**	**(£416,890)**	**(£417,420)**	**(£417,970)**

Reconciliation of the Money Matters Quarter 2 Variance as Reported under the Previous Management Structure

	A vibrant and prosperous economy	A council that is fit for the future	Healthy and safe communities	Clean, green and welcoming places to live	Total
Chief Executive	0	25,350	0	0	**£25,350**
Finance, Revenues and Benefits	0	32,630	0	(96,170)	**(£63,540)**
Democratic, Development & Legal	(171,870)	27,030	(2,620)	(28,130)	**(£175,590)**
Community, Housing & Health	0	32,800	(59,670)	(35,080)	**(£61,950)**
Waste Services	(13,940)	2,740	0	(14,730)	**(£25,930)**
Leisure & Parks	(7,290)	67,490	41,530	(32,580)	**£69,150**
Total	**(£193,100)**	**£188,040**	**(£20,760)**	**(£206,690)**	**(£232,510)**

Audit Trail - The Approved Revenue Budget

	Updated Original Budget	Quarter 2 Projected Outturn	Management Restructure	Friarsgate	Capital Expenditure funded from Revenue	Approved Budget
Strategic Priority						
A vibrant and prosperous economy	(344,170)	(537,270)	3,650	(86,230)	-	(619,850)
A council that is fit for the future	5,242,500	5,430,540	(30,760)	-	-	5,399,780
Healthy and safe communities	1,880,350	1,859,590	14,170	-	(5,000)	1,868,760
Clean, green and welcoming place to live	3,851,380	3,644,690	12,940	(5,830)	-	3,651,800
Efficiency Plan	(350,000)	-	-	-	-	
Net Cost of Services	**10,280,060**	**10,397,550**	**0**	**(92,060)**	**(5,000)**	**10,300,490**
Service Area						
Chief Executive	849,370	781,840	(58,310)	-	-	723,530
Finance and Procurement	984,000	1,363,480	-	-	-	1,363,480
Legal, Property and Democratic Services	296,130	111,930	27,550	(19,500)	-	119,980
Revenues, Benefits and Customer Services	723,570	591,400	6,290	-	-	597,690
Corporate Services	2,434,330	2,462,710	-	-	-	2,462,710
Leisure & Operational Services	2,522,060	2,522,990	10,840	(5,830)	(5,000)	2,523,000
Regulatory, Housing & Wellbeing	1,348,170	1,250,800	6,330	-	-	1,257,130
Development Services	181,530	131,570	3,650	-	-	135,220
Economic Growth	16,770	(64,630)	3,650	(66,730)	-	(127,710)
Waste Services	1,274,130	1,245,460	-	-	-	1,245,460
Efficiency Plan	(350,000)	-	-	-	-	-
Net Cost of Services	**10,280,060**	**10,397,550**	**0**	**(92,060)**	**(5,000)**	**10,300,490**
Net Treasury Position	(25,000)	(82,460)	0	(4,880)	-	(87,340)
Revenue Contributions to the Capital Programme	154,000	176,500	0	-	5,000	181,500
Net Operating Cost	**10,409,060**	**10,491,590**	**0**	**(96,940)**	**0**	**10,394,650**
Less : Transfer (from) / to General Reserve	8,560	(120,610)	0		-	(120,610)
Less : Transfer to Earmarked Reserves	108,020	108,020	0	150,940	-	258,960
Amount to be met from Government Grants and Local Taxpayers:	**£10,525,640**	**£10,479,000**	**£0**	**£54,000**	**£0**	**£10,533,000**
Revenue Support Grant	(773,000)	(773,000)				(773,000)
Business Rates	(2,320,000)	(2,241,000)		(52,000)		(2,293,000)
Business Rates Cap	-	(32,360)				(32,360)
Transition Grant	(51,940)	(51,940)				(51,940)
Local Council Tax Support	107,000	107,000				107,000
New Homes Bonus	(1,882,700)	(1,882,700)		(2,000)		(1,884,700)
Council Tax Collection Fund	(58,000)	(58,000)				(58,000)
Business Rates Collection Fund	310,000	310,000				310,000
Council Tax	(5,857,000)	(5,857,000)				(5,857,000)

APPENDIX B

Revenue Financial Performance – Projected Variance to Budget 2016/17

Area	2016/17 Updated Original Budget £	Approved Budget £	Year to Date Actual £	Projected Outturn £	Projected Variance £	● = adverse ☑ = favourable	Variance to Updated Original Budget £	2016/17 Target Variance (+/-) £
Strategic Priority								
A vibrant and prosperous economy	(344,170)	(619,850)	(1,494,277)	(944,510)	(324,660)	☑	(600,340)	
A council that is fit for the future	5,242,500	5,399,780	3,642,921	5,358,160	(41,620)	☑	115,660	
Healthy and safe communities	1,880,350	1,868,760	702,972	1,862,280	(6,480)	☑	(18,070)	
Clean, green and welcoming places to live	3,851,380	3,651,800	3,924,036	3,527,450	(124,350)	☑	(323,930)	
Efficiency Plan	(350,000)	-	-	-	-		350,000	
Net Cost of Services	**10,280,060**	**10,300,490**	**6,775,652**	**9,803,380**	**(497,110)**		**(476,680)**	
Service Area								
Chief Executive	849,370	723,530	449,140	707,760	(15,770)	☑	(141,610)	4,000
Finance and Procurement	984,000	1,363,480	879,056	1,412,960	49,480	●	428,960	7,000
Legal, Property and Democratic Services	296,130	119,980	90,915	23,590	(96,390)	☑	(272,540)	10,000
Revenues, Benefits and Customer Services	723,570	597,690	852,498	570,130	(27,560)	☑	(153,440)	19,000
Corporate Services	2,434,330	2,462,710	1,530,535	2,393,600	(69,110)	☑	(40,730)	22,000
Leisure and Operational Services	2,522,060	2,523,000	1,487,341	2,523,000	-	☑	940	53,000
Regulatory, Housing and Wellbeing	1,348,170	1,257,130	573,901	1,230,940	(26,190)	☑	(117,230)	16,000
Development Services	181,530	135,220	(530,490)	(44,920)	(180,140)	☑	(226,450)	24,000
Economic Growth	16,770	(127,710)	(226,606)	(220,140)	(92,430)	☑	(236,910)	27,000
Waste Services	1,274,130	1,245,460	1,669,362	1,206,460	(39,000)	☑	(67,670)	68,000
Efficiency Plan	(350,000)	-	-	-	-		350,000	-
Net Cost of Services	**10,280,060**	**10,300,490**	**6,775,652**	**9,803,380**	**(497,110)**		**(476,680)**	**250,000**
Net Treasury Position	(25,000)	(87,340)	(81,465)	(87,340)	-		(62,340)	
Revenue Contributions to the Capital Programme	154,000	181,500	-	181,500	-		27,500	
Net Operating Cost	**10,409,060**	**10,394,650**	**6,694,187**	**9,897,540**	**(497,110)**		**(511,520)**	
Transfer (from) / to General Reserve	8,560	(120,610)	-	307,500	428,110	☑		
Transfer to Earmarked Reserves	108,020	258,960	258,960	258,960	-			
Net Revenue Expenditure	**£10,525,640**	**£10,533,000**	**£6,953,147**	**£10,464,000**	**(69,000)**			
Financed by:								
Retained Business Rates	(2,320,000)	(2,293,000)	(950,138)	(2,226,300)	66,700	●		
Business Rates Cap	-	(32,360)	(16,183)	(32,360)	-			
Revenue Support Grant	(773,000)	(773,000)	(525,942)	(773,000)	-			
Transition Grant	(51,940)	(51,940)	(34,625)	(51,940)				
Parish Local Council Tax Support	107,000	107,000	71,201	107,000	-			
New Homes Bonus	(1,882,700)	(1,884,700)	(1,413,956)	(1,878,000)	6,700	●		
Returned New Homes Bonus	-	-	(4,411)	(4,400)	(4,400)			
Business Rates Collection Fund Deficit	310,000	310,000	-	310,000				
Council Tax Collection Fund (Surplus)	(58,000)	(58,000)	(38,667)	(58,000)	-			
Council Tax	(5,857,000)	(5,857,000)	(3,351,525)	(5,857,000)	-			

Analysis of gross expenditure, income and net expenditure for 2016/2017

Area	Approved Budget			Projected Outturn
	Gross Expenditure £	Gross Income £	Net Expenditure £	£
Strategic Priority				
A vibrant and prosperous economy	3,843,180	(4,463,030)	(619,850)	(944,510)
A council that is fit for the future	5,902,490	(502,710)	5,399,780	5,358,160
Healthy and safe communities	4,300,040	(2,431,280)	1,868,760	1,862,280
Clean, green and welcoming places to live	28,396,050	(24,744,250)	3,651,800	3,527,450
Net cost of services	**42,441,760**	**(32,141,270)**	**10,300,490**	**9,803,380**
Service Area				
Chief Executive	727,230	(3,700)	723,530	707,760
Finance and Procurement	1,370,400	(6,920)	1,363,480	1,412,960
Legal, Property and Democratic Services	762,960	(642,980)	119,980	23,590
Revenues, Benefits and Customer Services	21,505,830	(20,908,140)	597,690	570,130
Corporate Services	2,612,180	(149,470)	2,462,710	2,393,600
Leisure and Operational Services	5,001,100	(2,478,100)	2,523,000	2,523,000
Regulatory, Housing and Wellbeing	1,751,830	(494,700)	1,257,130	1,230,940
Development Services	1,641,280	(1,506,060)	135,220	(44,920)
Economic Growth	1,880,670	(2,008,380)	(127,710)	(220,140)
Waste Services	5,188,280	(3,942,820)	1,245,460	1,206,460
Efficiency Plan	-	-	-	-
Net cost of services	**42,441,760**	**(32,141,270)**	**10,300,490**	**9,803,380**
Net Treasury Position	135,760	(223,100)	(87,340)	(87,340)
Revenue Contributions to the Capital Programme	181,500	-	181,500	181,500
Net Revenue Expenditure	**£42,759,020**	**(£32,364,370)**	**£10,394,650**	**£9,897,540**

Reasons for the 8 Months Budget Performance by Service Area

Net Operating Cost

Projected Variance £		Expenditure One Off £	Expenditure Recurring £	Income One Off £	Income Recurring £
(15,770)	Chief Executive	(1,810)	(13,960)	-	-
49,480	Finance and Procurement	95,290	(37,710)	(8,100)	-
(96,390)	Legal, Property and Democratic Services	(3,920)	(16,960)	(74,940)	(570)
(27,560)	Revenues, Benefits and Customer Services	(1,096,690)	-	1,069,130	-
(69,110)	Corporate Services	18,640	(13,000)	(74,750)	-
-	Leisure and Operational Services	-	-	-	-
(26,190)	Regulatory, Housing and Wellbeing	(38,210)	(300)	12,320	-
(180,140)	Development Services	200,140	(7,730)	(367,250)	(5,300)
(92,430)	Economic Growth	(64,580)	-	(27,850)	-
(39,000)	Waste Services	(18,960)	-	(5,040)	(15,000)
-	Net Treasury Position	-	-	-	-
(£497,110)	**Net Operating Cost**	**(£910,100)**	**(£89,660)**	**£523,520**	**(£20,870)**

Chief Executive

Projected Variance £	Service Area	Expenditure One Off £	Expenditure Recurring £	Income One Off £	Income Recurring £
(15,770)	Various Supplies and Services Budgets no longer required following Management Restructure	(1,810)	(13,960)	-	-
(£15,770)	**Total**	**(£1,810)**	**(£13,960)**	**-**	**-**

Finance and Procurement

Projected Variance £	Service Area	Expenditure One Off £	Expenditure Recurring £	Income One Off £	Income Recurring £
89,000	In year deficit on Pension Fund	89,000	-	-	-
(10,200)	Monthly Pension Contribution decrease	-	(10,200)	-	-
(19,510)	Employee changes in grades and hours	-	(19,510)	-	-
6,290	Agency spend covering Maternity leave	6,290	-	-	-
(8,100)	Transparency Agenda grant income not required	-	-	(8,100)	-
(8,000)	Bank Charges decrease	-	(8,000)	-	-
£49,480	**Total**	**£95,290**	**(£37,710)**	**(£8,100)**	**-**

Legal, Property and Democratic Services

Projected Variance £	Service Area	Expenditure One Off £	Expenditure Recurring £	Income One Off £	Income Recurring £
(51,650)	Legal Services additional income received and underspend on expenditure budgets	(3,500)	(2,410)	(45,740)	-
(4,460)	Democratic Services underspend on expenditure budgets	(1,410)	(3,050)	-	-
(1,500)	Members Training – assigning from Corporate Services and identified ongoing savings	4,000	(5,500)	-	-
(38,780)	Additional rental income and reduced expenditure	(3,010)	(6,000)	(29,200)	(570)
(£96,390)	**Total**	**(£3,920)**	**(£16,960)**	**(£74,940)**	**(£570)**

Revenues, Benefits and Customer Services

Projected Variance £	Service Area	Expenditure One Off £	Expenditure Recurring £	Income One Off £	Income Recurring £
(27,560)	Mid-Year Housing Benefit Subsidy adjustment and increased overpayment	(1,096,690)	-	1,069,130	-
(£27,560)	**Total**	**(£1,096,690)**	**-**	**£1,069,130**	**-**

Corporate Services

Projected Variance	Service Area	Expenditure		Income	
		One Off	Recurring	One Off	Recurring
£		£	£	£	£
(12,920)	District Council House – savings on utilities and employees	(5,920)	(7,000)	-	-
(21,960)	Insurance Premiums lower than budgeted	31,560	-	(53,520)	-
(6,380)	Communications – delay of new support contract	(6,380)	-	-	-
(4,960)	Members Training – assigning to Legal Services	(4,960)	-	-	-
(13,230)	Street Naming and Numbering – increased activity	8,000	-	(21,230)	-
(6,110)	General Supplies and Services underspends	(6,110)	-	-	-
(3,550)	ICT – changes on contract prices	2,450	(6,000)	-	-
(£69,110)	**Total**	**£18,640**	**(£13,000)**	**(£74,750)**	**-**

Regulatory Services, Housing & Wellbeing

Projected Variance	Service Area	Expenditure		Income	
		One Off	Recurring	One Off	Recurring
£		£	£	£	£
(15,000)	Locality Commissioning – job clubs budget not required	(15,000)	-	-	-
17,900	Community Transport – winding down of scheme costs	5,580	-	12,320	-
(20,940)	Housing Services – vacant post	(20,940)	-	-	-
(3,250)	Licensing – general underspends	(3,250)	-	-	-
(4,900)	Employee Changes	(4,600)	(300)	-	-
(£26,190)	**Total**	**(£38,210)**	**(£300)**	**£12,320**	**-**

Development Services

Projected Variance	Service Area	Expenditure		Income	
		One Off	Recurring	One Off	Recurring
£		£	£	£	£
(17,550)	Employee changes due to maternity and restructuring	(10,210)	(7,730)	390	-
(157,290)	Planning – increased applications and related expenditure	210,350	-	(367,640)	-
(5,300)	Ecology – new income generating long term scheme	-	-	-	(5,300)
(£180,140)	**Total**	**(£200,140)**	**(£7,730)**	**(£367,250)**	**(£5,300)**

Economic Growth

Projected Variance	Service Area	Expenditure		Income	
		One Off	Recurring	One Off	Recurring
£		£	£	£	£
18,580	Employee changes and loss of income from S106 and SAC	(12,280)	-	30,860	-
(33,330)	Vacant Economic Services post	(33,330)	-	-	-
26,920	Friarsgate - Maternity Savings and reduced capital income	(19,710)	-	46,630	-
(3,720)	Other Minor Changes	2,680	-	(6,400)	-
(100,880)	Additional Car Park income	(1,940)	-	(98,940)	-
(£92,430)	**Total**	**(£64,580)**	**-**	**(£27,850)**	**-**

Waste Services

Projected Variance	Service Area	Expenditure		Income	
		One Off	Recurring	One Off	Recurring
£		£	£	£	£
(15,000)	Increase in bulky waste income	-	-	-	(15,000)
(8,000)	Trade Waste and recycling increased activity/lower spend	(2,960)	-	(5,040)	-
(16,000)	Joint Waste Employees – vacant posts and agency costs	(16,000)	-	-	-
(£39,000)	**Total**	**(£18,960)**	**-**	**(£5,040)**	**(£15,000)**

Funding

Projected Variance		Expenditure		Income	
		One Off	Recurring	One Off	Recurring
£		£	£	£	£
66,700	Reduction in Retained Business Rates – additional net levy	-	-	66,700	-
2,300	Lower New Homes Bonus	-	-	2,300	-
£69,000	**Net Operating Cost**	**-**	**-**	**£69,000**	**-**

Capital Programme Performance in 2016/17

Priority	Original Budget £	Current Budget £	Year to Date Actual £	Projected Outturn £	Projected Variance £		Variance to Original Budget £
Healthy and safe communities	2,771,000	1,828,000	572,689	1,533,500	(294,500)	●	(1,237,500)
Clean, green and welcoming places to live	1,219,000	2,001,500	880,443	899,500	(1,102,000)	●	(319,500)
A vibrant and prosperous economy	2,749,000	2,820,500	121,906	337,500	(2,483,000)	●	(2,411,500)
A council that is fit for the future	766,000	641,500	26,436	154,500	(487,000)	●	(611,500)
Total Capital Expenditure	**£7,505,000**	**£7,291,500**	**£1,601,473**	**£2,925,000**	**(£4,366,500)**		**(£4,580,000)**

KEY : ☑ Projected actual within **£0.1m** of our current budget
● Projected actual not within **£0.1m** of our current budget

Vehicle, Equipment and Systems Renewal Schedule 2016/17

The vehicle, equipment and systems renewal schedule in 2016/17 included in the Capital Programme is shown in the table below:

Area	Vehicle Type	Capital Programme	Progress on procurement during 2016/17
Joint Waste	New Arrangement	£680,000	6 vehicles leased.
Grounds Maintenance / Street Scene		£103,000	1 vehicle leased. 4 more to be purchased through reserve/sinking fund.
Environmental Health Vehicle	Van	£20,500	Purchased
Joint Waste	Van	£17,000	Purchased
Grounds Maintenance	Mowers	£32,700	Purchased

Capital Investment at Burntwood Leisure Centre - The Sinking Fund

Under the terms of the funding agreement with the National Lottery in relation to Burntwood Leisure Centre (BLC), LDC is required to set aside resources to be used for the future repair and renewal of BLC in a 'Sinking Fund'. Monitoring information for all approved projects is shown in the table below:

Project Name	Annual Spend in 2016/17		
	Current Budget £	Projected Outturn £	Variance £
Planned maintenance	£95,000	£95,000	£0
Replacement Treadmills	£40,000	£40,000	£0
TOTAL	**£135,000**	**£135,000**	**£0**

Council Tax

Collection Performance

	Council Tax			
	30-Nov-15	**30-Nov-16**	**Change**	
Amount Collected as a %	**77.09%**	**76.71%**	**0.38%**	●
In year arrears outstanding	£737,760	£782,531		
Previous years arrears	£878,972	£835,403		
Total arrears outstanding	£1,616,732	£1,617,934	0.07%	●
Write offs	£25,574	£42,883		

Collection Fund

	Budget £m	30-Nov-16 £m	Projected Outturn £m	Projected Variance £m
(Surplus) / Deficit Brought Forward	**(£0.45)**	**(£0.32)**	**(£0.32)**	**£0.13**
Amount Due	(£56.34)	(£56.91)	(£56.86)	(£0.52)
Bad Debt Provision	£0.00	£0.04	£0.08	£0.08
Payments to Partners including LDC	£56.34	£56.34	£56.34	£0.00
Transfers estimated surplus to Partners	£0.45	£0.45	£0.45	£0.00
(Surplus) / Deficit Carried Forward	**(£0.00)**	**(£0.40)**	**(£0.31)**	**(£0.31)**
Share of the (Surplus) or Deficit				
Lichfield District Council	(0.00)	(0.05)	(0.04)	(0.04)
Office of the Police and Crime Commissioner Staffordshire	(0.00)	(0.05)	(0.04)	(0.04)
Staffordshire County Council	(0.00)	(0.28)	(0.22)	(0.22)
Staffordshire Fire and Rescue	(0.00)	(0.02)	(0.01)	(0.01)
	(£0.00)	**(£0.40)**	**(£0.31)**	**(£0.31)**

Lichfield District Council Projected (Surplus) / Deficit in 2016/17 to be included in 2017/18 Budget	**(£0.04)**

Business Rates

The Council's Retained Business Rates Income

The Council's Budget in 2016/17				
	Budget £	**30-Nov-16 £**	**Projected Outturn £**	**Projected Variance £**
NNDR 1 Based Retained Business Rates				
Retained Business Rates	(£13,507,000)	(£13,507,000)	(£13,507,000)	£0
Section 31 Grants (Lichfield's 40% Share)				
Small Business Rates Relief	(£382,400)	(£385,600)	(£385,600)	(£3,200)
New Empty Properties	£0	£0	£0	£0
Long Term Empty Properties	(£800)	(£11,200)	(£11,200)	(£10,400)
In lieu of transitional relief	(£5,600)	£8,800	£8,800	£14,400
Retail Relief	£0	£1,600	£2,400	£2,400
Less : Tariff Payable	£11,270,000	£11,270,000	£11,270,000	£0
Pre Levy or Safety Net Income	**(£2,625,800)**	**(£2,623,400)**	**(£2,622,600)**	**£3,200**
NNDR 3 Based Levy Payments				
Less : Levy Payable @ 50%	£470,400	£759,200	£488,300	£17,900
Volatility Allowance	£15,400		£67,000	£51,600
Levy from the Business Rates Pool (32.5%)	(£153,000)	(£247,000)	(£159,000)	(£6,000)
Post Levy or Safety Net Income	**(£2,293,000)**	**(£2,111,200)**	**(£2,226,300)**	**£66,700**

Collection Performance

	Non Domestic Rates			
	30-Nov-15	**30-Nov-16**	**Change**	
Amount Collected as a %	**74.41%**	**74.91%**	**0.50%**	☑
In year arrears outstanding	£548,537	£588,033		
Previous years arrears	£285,209	£200,926		
Total arrears outstanding	£833,745	£788,960	5.37%	☑
Write offs	£124,987	£434,821		

Collection Fund

	Budget £m	**30-Nov-16 £m**	**Projected Outturn £m**	**Projected Variance £m**
(Surplus) / Deficit Brought Forward	**£1.46**	**£0.22**	**£0.22**	**(£1.25)**
Amount Due	(£34.53)	(£36.22)	(£35.62)	(£1.09)
Bad Debt Provision	£0.32	£0.74	£0.80	£0.48
Appeals	£0.32	(£0.49)	£0.20	(£0.12)
Payments to Partners including LDC	£33.77	£33.77	£33.77	£0.00
Collection Allowance	£0.12	£0.12	£0.12	£0.00
Transitional Protection	£0.00	£0.00	£0.00	£0.00
Transfers estimated deficit from Partners	(£1.46)	(£1.46)	(£1.46)	£0.00
(Surplus) / Deficit Carried Forward	**£0.00**	**(£3.33)**	**(£1.97)**	**(£1.97)**
Share of the (Surplus) or Deficit				
Lichfield District Council (40%)	£0.00	(£1.33)	(£0.79)	(£0.79)
Central Government (50%)	£0.00	(£1.66)	(£0.99)	(£0.99)
Staffordshire County Council (9%)	£0.00	(£0.30)	(£0.18)	(£0.18)
Staffordshire Fire and Rescue (1%)	£0.00	(£0.03)	(£0.02)	(£0.02)
	£0.00	**(£3.33)**	**(£1.97)**	**(£1.97)**

Lichfield District Council Projected (Surplus) / Deficit in 2016/17 to be included in 2017/18 Budget	**(£0.79)**

☑ Favourable ● Adverse

Sundry Debtor Performance

Details	30-Nov-15 All Debts £	30-Nov-16 All Debts £	All Debts Change (%)	Variance
Value of sundry income raised	4,412,563	3,530,272	-19.99%	●
Value of debts written off	12,956	44,673	244.80%	●
Value of invoices outstanding	1,646,547	1,426,212	-13.38%	☑
% of income raised	**37%**	**40%**		●

Aged Debt Analysis				
Less than 6 months	1,050,906	798,185	-24.04%	☑
More than 6 months	595,641	628,026	5.43%	●

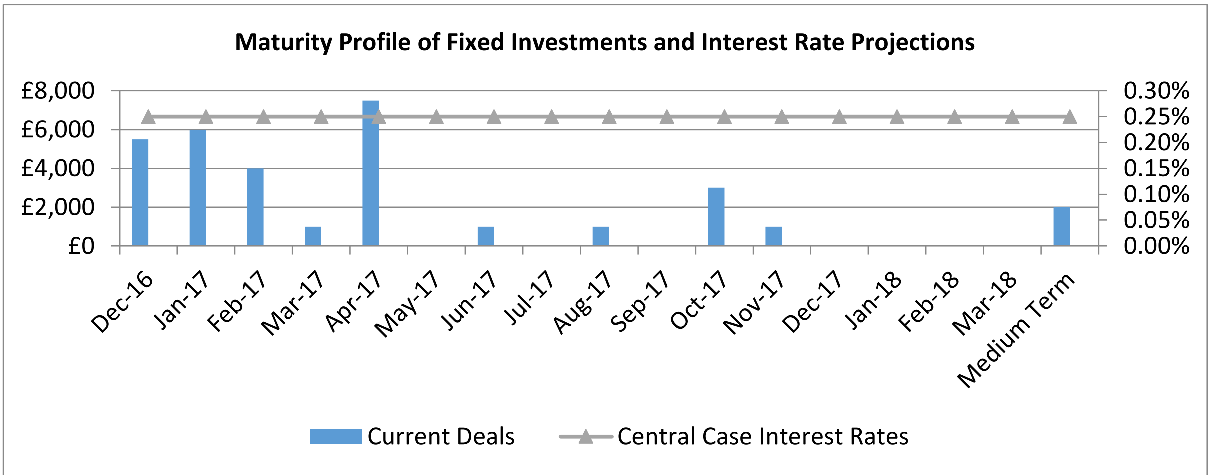
☑ Favourable ● Adverse

Investments in the 2016/17 Financial Year

The table below shows a breakdown of our investments at the end of November 2016:

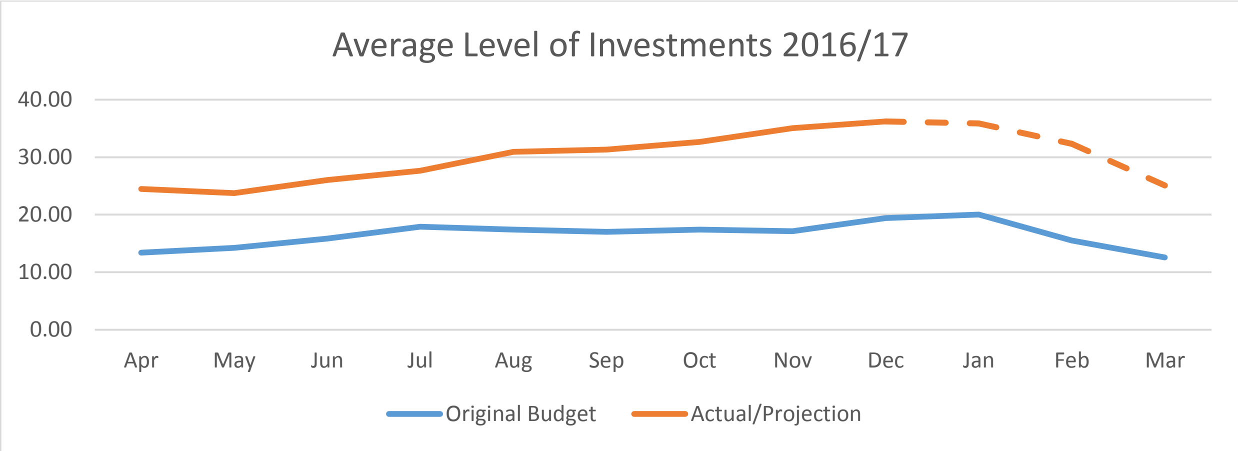
Counterparty	Principal	Matures	Days to Maturity	Rate	Lowest Credit Rating	Country
Money Market Funds						
LEGAL & GENERAL INVESTMENT MANAGEMENT	£1,000,000	01-Dec-16	1	0.32%	AA-	N/A
BNP PARIBAS ASSET MANAGEMENT	£1,000,000	01-Dec-16	1	0.34%	A+	N/A
INVESCO AIM	£1,000,000	01-Dec-16	1	0.31%	AA-	N/A
ABERDEEN ASSET MANAGEMENT	£1,000,000	01-Dec-16	1	0.32%	AA-	N/A
Property Fund						
CCLA - LAMIT PROPERTY FUND	£2,000,000	30-Apr-21	N/A	4.30%	N/A	UK
Fixed Term Investments						
NATIONWIDE BUILDING SOCIETY	£1,000,000	18-Apr-17	139	0.42%	A	UK
LLOYDS BANK PLC	£1,000,000	15-Nov-17	350	1.00%	A	UK
NATIONAL COUNTIES BUILDING SOCIETY	£500,000	09-Dec-16	9	0.72%	NR	UK
DBS BANK LTD	£1,000,000	18-Apr-17	139	0.48%	AA-	SINGAPORE
UNITED OVERSEAS BANK LTD	£1,000,000	18-Aug-17	261	0.48%	AA-	SINGAPORE
LANDESBANK HESSEN-THURINGEN	£1,000,000	17-Mar-17	107	0.43%	A	GERMANY
COMMONWEALTH BANK OF AUSTRAL	£1,000,000	03-Apr-17	124	0.40%	AA-	AUSTRALIA
COVENTRY BUILDING SOCIETY	£500,000	05-Apr-17	126	0.37%	A	UK
AUST AND NZ BANKING GROUP	£1,000,000	12-Dec-16	12	0.53%	AA-	AUSTRALIA
BARCLAYS BANK PLC	£1,000,000	27-Jan-17	58	0.31%	A-	UK
OP CORPORATE BANK PLC	£1,000,000	19-Apr-17	140	0.44%	AA-	FINLAND
Fixed Term Investments - Local Authorities						
SALFORD CITY COUNCIL	£2,000,000	20-Feb-17	82	0.25%	AA	UK
THURROCK BOROUGH COUNCIL	£2,000,000	11-Apr-17	132	0.40%	AA	UK
LANCASHIRE COUNTY COUNCIL	£2,000,000	31-Oct-17	335	0.37%	AA	UK
LEEDS CITY COUNCIL	£2,000,000	28-Feb-17	90	0.30%	AA	UK
Call Accounts with Notice Period						
SANTANDER UK PLC	£1,000,000	29-May-17	180	0.90%	A	UK
SVENSKA HANDELSBANKEN-A SHS	£1,000,000	04-Jan-17	35	0.25%	AA-	SWEDEN
Treasury Bills	£2,000,000	16-Jan-17	108	0.30%	AA	UK
Certificates of Deposit						
NORDEA BANK AB	£1,000,000	13-Apr-17	195	0.75%	AA-	SWEDEN
COOPERATIEVE RABOBANK UA	£1,000,000	05-Jan-17	97	0.72%	A+	NETHERLANDS
CAN IMPERIAL BK OF COMMERCE	£1,000,000	10-Oct-17	314	0.56%	A+	CANADA
TORONTO-DOMINION BANK	£1,000,000	27-Jan-17	119	0.92%	AA-	CANADA
Total Investments	**£32,000,000**					

The maturity profile of these investments at 30 November 2016 compared to our Treasury Management advisor Arlingclose interest rate forecasts is shown in the graph below:



Cash Flow for 2016/17

The graph below compares the budget for average investment levels in 2016/17 with the actual levels.



Performance of the Treasury Management Function

The performance of the Treasury Management function should be measured against the investment objectives of Security (the safe return of our monies), Liquidity (making sure we have sufficient money to pay for our services) and Yield (the return on our investments).

Security:

Our aim for the risk status of our portfolio was **A-** utilising the lowest rating from the three credit rating agencies**.**

The investments outstanding at the 30 November 2016 had a risk status of **AA-** based on the length of the investment and **AA-** based on the value of the investment, which is a more secure risk status. These risk statuses are both compliant with our aim and the recommendations from our Treasury Management advisors.

In addition, we are currently keeping the length of our investments relatively short term to ensure that we can react to changes in counterparty credit risk very easily.

The time limits were relatively short to manage counterparty credit risk (a bank or building society being unable to repay our investment). We also maintained balances in Money Market Funds to provide for unforeseen cash flow requirements. The average length of investments we have made in 2016/17 is **185 days**.

Liquidity:

Measuring the performance in relation to liquidity is a much more difficult task and the easiest way to assess performance is to see how frequently we needed to borrow on a temporary basis during the financial year. We are actively managing liquidity risk in 2016/17 by purchasing Certificates of Deposit and Treasury Bills because they can be sold on the secondary market in the event the money is required for unforeseen circumstances. We also have significant sums invested in call accounts and Money Market Funds which provide instant access to cash. Therefore, due to the level of our liquid investments in 2016/17 we did not need to temporarily borrow.

Yield:

In the eight months of 2016/17 we have achieved an average interest rate of **0.76%.** We project an average return of **0.70%** and this compares to our performance indicator of the average Seven-day London Inter-bank Bid (LIBID) rate, which was **0.24%**, the one month rate was **0.26%,** the three month rate was **0.36%** and the six month rate was **0.49%.**

In terms of interest receipts, there are two key risks/sensitivities:

a) The interest rate receivable.
b) The amount of money we have available to invest.

The interest rates, amounts of money we had available to invest, interest receipts, interest paid and net investment income are shown in the table below:

Details	**2016/17 Current Budget**	**2016/17 Projected Outturn**
Average amount we had available to invest (£m)	£30.09m	£30.09m
Average Interest Rate (%)	0.70%	0.70%
Interest Receipts	(191,240)	(191,240)
Interest Paid and Other Costs	4,500	4,500
Net Investment Income (£)	**(£186,740)**	**(£186,740)**
Car Loan and Other Interest	(1,000)	(1,000)
External Borrowing Interest	37,400	37,400
Minimum Revenue Provision	63,000	63,000
Net Treasury Position (£)	**(£87,340)**	**(£87,340)**

The Medium Term Financial Strategy (Revenue and Capital) 2016-21 (MTFS)

Report of the Cabinet Member for Finance and Democracy

Date:	7 February 2017
Agenda Item:	5
Contact Officers:	Diane Tilley/Anthony Thomas
Tel Number:	01543 308001/308012
Email:	diane.tilley@lichfielddc.gov.uk/ anthony.thomas@lichfielddc.gov.uk
Key Decision?	**YES**
Local Ward Members	Full Council

Lichfield district council
www.lichfielddc.gov.uk

CABINET

1. Executive Summary

The Medium Term Financial Strategy

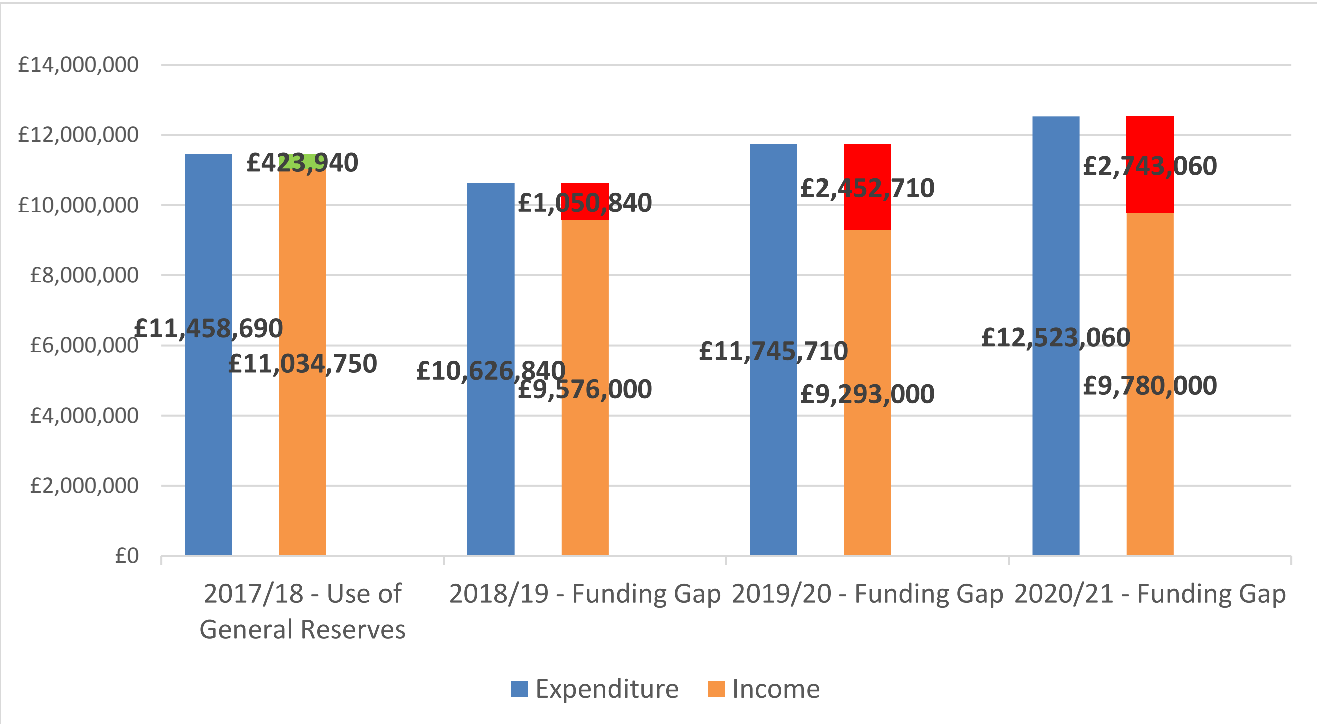
1.1 The ability to deliver the outcomes set out in the **Lichfield District Council Strategic Plan 2016-20** is dependent on the resources available identified in the MTFS over the life of the current Strategic Plan and beyond.

1.2 The Council has a statutory duty to set a balanced budget and to calculate the level of Council Tax for its area. The Chief Financial Officer (CFO) has a statutory duty to ensure the figures provided for estimating and financial planning are robust and will stand up to Audit scrutiny.

1.3 The Local Government Act 2003 places duties and requirements on the Authority on how it sets and monitors its budgets, including the CFO's report on the Robustness of the Budget and adequacy of Reserves and this report forms part of the MTFS.

The Revenue Budget

1.4 The Revenue Budget with the use of general reserves in 2017/18 and Funding Gaps in later years is shown in detail at **APPENDIX A** and in summary in the graph below:



1.5 The Council is legally required to balance the budget in the first year (2017/18) of the MTFS and to set out its proposals to balance the further financial years - 2018/19, 2019/20 and 2020/21.

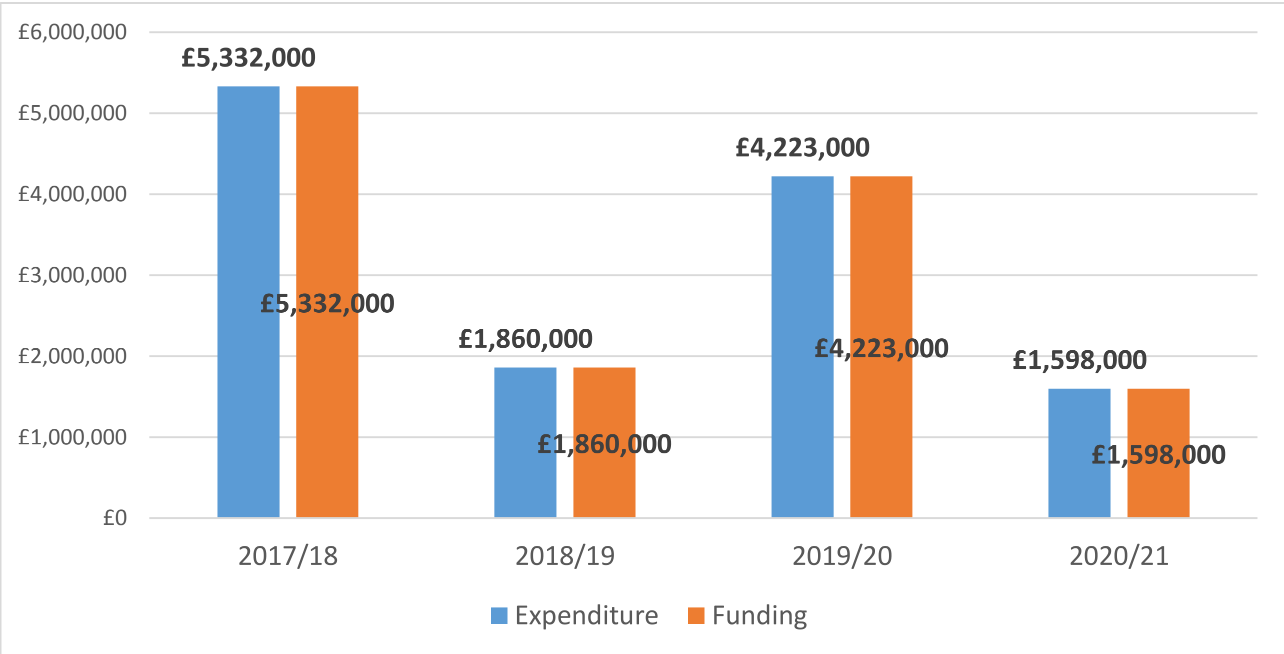
1.6 The MTFS proposes a transfer from General Reserves of **(£423,940)** for 2017/18 and in later years a projected Funding Gap has been identified. The Council would have **£2,462,700** of General Reserves available (after taking account of the Minimum Level of Reserves) after this contribution to assist with balancing the budget in future years, if needed.

1.7 The Council will need to make significant levels of savings or achieve additional income to close the Funding Gap by 2020/21.

The Capital Programme

1.8 The Capital Programme is the investment plan for our **Lichfield District Council Strategic Plan 2016-20** and beyond.

1.9 A summary of the Capital Programme contained in the MTFS is shown in detail at **APPENDICES B & C** and in the chart below:



1.10 The Capital Programme is projected to be fully funded and therefore does not have any Projected Funding Gaps. However the funding assumes that the sale of the Bore Street Shops (or alternative sales) is completed for a minimum of **(£1,274,000)**.

1.11 The Capital Receipts (due to its uncertainty, the **(£250,000)** Friarsgate Land Receipt is not currently used for funding the Capital Programme) projected in the MTFS are shown in the graph below:

The CFO's Report on the Robustness of the Budget and the Adequacy of Reserves

1.12 In accordance with the Local Government Act 2003 (Sections 25-27) and to comply with CIPFA Guidance on Local Authority Reserves and Balances, the CFO is required to formally report to Members on the robustness of the Budget and the adequacy of Reserves and this is shown at **APPENDIX D**.

Treasury Management

1.13 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management in Public Services and the Prudential Code require local authorities to determine the Treasury Management Strategy Statement and Prudential Indicators on an annual basis. This Treasury Management Strategy Statement also incorporates the Annual Investment Strategy that is a requirement of Communities and Local Government's Investment Guidance. Together, these cover the financing and investment strategy for the forthcoming financial year.

1.14 The purpose of the Treasury Management Strategy Statement is, therefore, to approve :

- Balance Sheet Projections and Borrowing Requirement and Strategy for 2017/18 **(APPENDIX E**).
- Minimum Revenue Provision Statement 2017/18 **(APPENDIX F).**
- Treasury Management Policy Statement, Annual Investment Strategy and Cash Flow Forecast for 2017/18 **(APPENDIX G).**
- Use of Specified and Non-Specified Investments **(APPENDIX H)**.
- Prudential Indicators 2016-21 **(APPENDIX I)**.

1.15 All treasury activity will comply with relevant statute, guidance and accounting standards.

2. Recommendations

That Cabinet recommend to Council for approval:

2.1 The 2017/18 Revenue Budget, including the Amount to be met from Government Grants and Local Taxpayers of **£11,034,750,** forecasts a proposed level of Council Tax (the District Council element) for 2017/18 of **£164.99** for a Band D equivalent property.

2.2 The MTFS 2016-21 Revenue Budgets set out in **APPENDIX A**.

2.3 The MTFS 2016-21 Capital Strategy and Capital Programme, outlined in **APPENDICES B** & **C**.

2.4 Notes the requirements and duties that the Local Government Act 2003 places on the Authority on how it sets and monitors its Budgets, including the CFO's report on the robustness of the Budget and adequacy of Reserves shown in **APPENDIX D**.

2.5 Balance Sheet Projections and Borrowing Requirement and Strategy 2016-21, contained within **APPENDIX E**.

2.6 The Minimum Revenue Provision Statement 2017/18, contained within **APPENDIX F**, which sets out the Council's policy of using the asset life method as the basis for making prudent provision for debt redemption.

2.7 Treasury Management Policy Statement and The Annual Investment Strategy 2017/18 and the detailed criteria - **APPENDIX G**.

2.8 The use of Specified and Non-Specified Investments - **APPENDIX H.**

2.9 The Prudential Indicators and limits for 2016-21 contained within **APPENDIX I** of this report.

2.10 The Authorised Limit Prudential Indicator shown within **APPENDIX I**.

3. Background

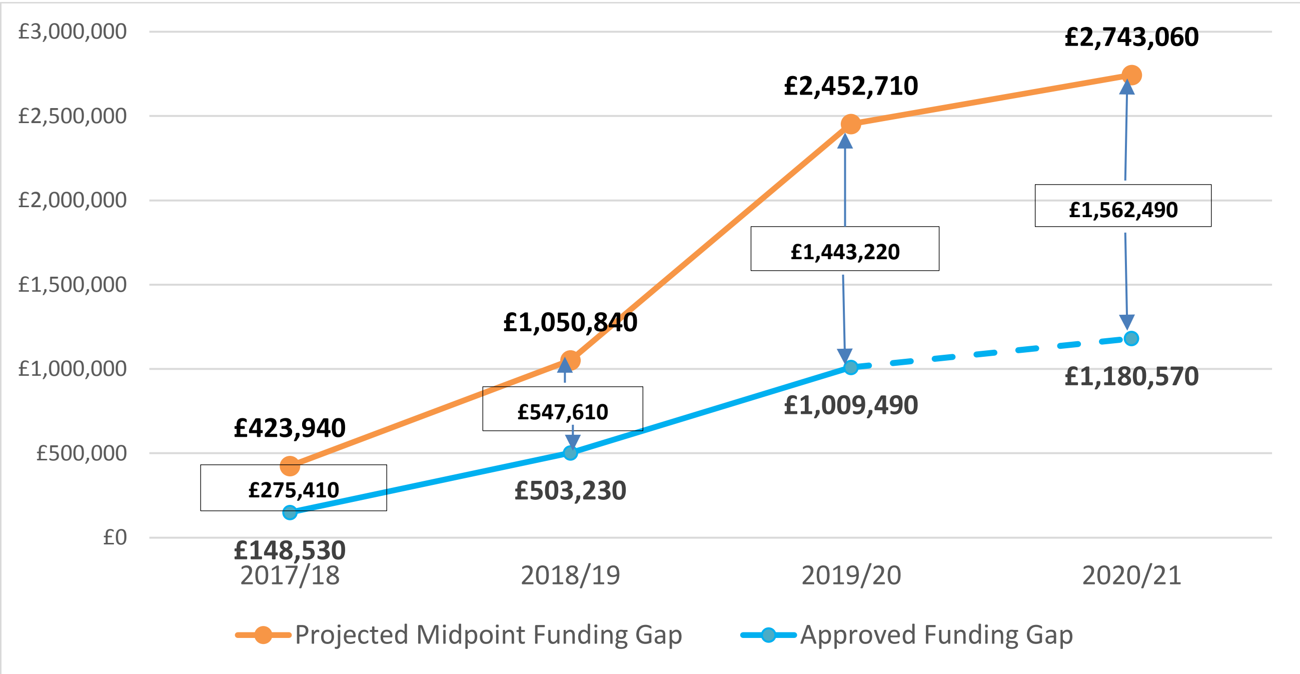
The Revenue Budget

3.1 The MTFS covering 2016-20 was approved by Council on 23 February 2016 and included the projected level of Funding Gaps for 2017/18 to 2019/20.

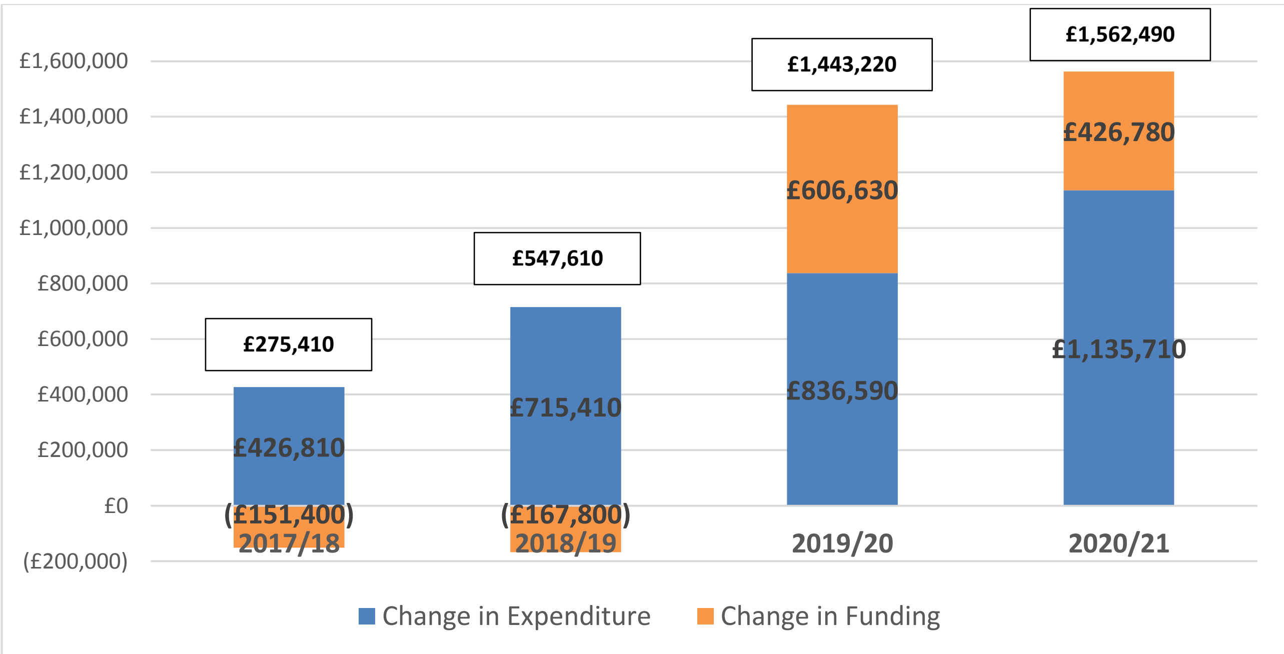
3.2 Throughout the financial year, Money Matters reports have been provided to both Cabinet and Strategic (Overview and Scrutiny) Committee at three, six and eight month (a separate report on this agenda) intervals to monitor financial performance.

3.3 The Revenue Budget is shown by both Strategic Priority and Service Area in detail at **APPENDIX A**.

3.4 The projected Funding Gap compared to the Approved Funding Gap (shown in the Money Matters Report elsewhere on this agenda) plus a further projection for 2020/21 is shown in the graph below:



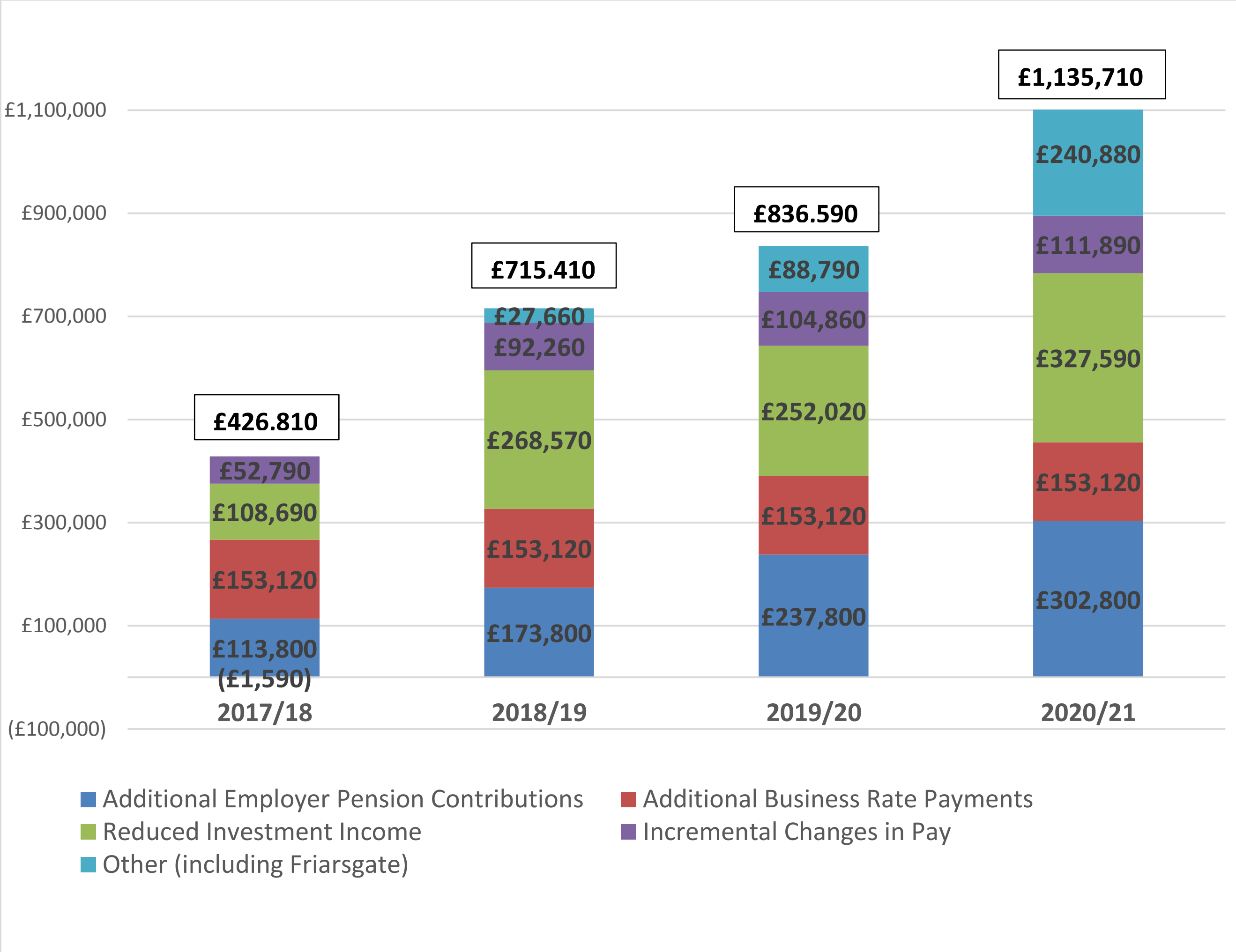
3.5 There has been a significant increase in the size of the projected Funding Gap and this is as a result of increases in expenditure and changes in funding as summarised in the graph below:



3.6 The projected Funding Gap excludes the savings targets set for current F4F Reviews including Leisure Services and Revenues and Benefits Services which are still in progress. When completed and approved by Council the MTFS will be adjusted to reflect any savings from these Reviews.

3.7 The MTFS is based on the Provisional Local Government Financial Settlement published on 15 December 2016. The final Settlement will not be announced until February 2017. There are a number of areas where results of the consultation and subsequent Government decisions, could impact on our Settlement thus requiring further changes to the MTFS.

3.8 The key reasons for the increase in expenditure compared to the Approved MTFS are explained in the chart below:

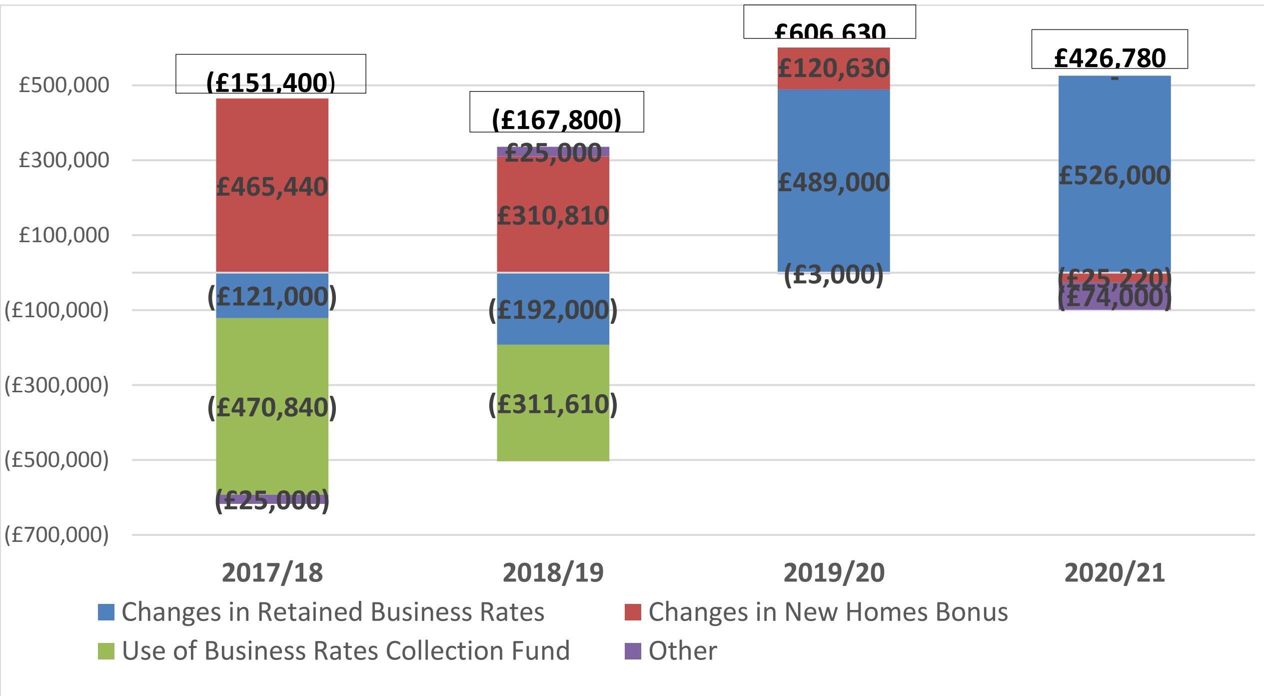


3.9 These increases in expenditure are explained in more detail below:

- **Additional Employer Pension Contributions** – the Pension Scheme triennial valuation in 2016 has been undertaken to check progress against the plan to ensure the Pension Fund is fully funded. The contribution strategy for each Employer must attempt to close any deficit over a set period of time and the level of contribution has been set for the next three years of 2017/18, 2018/19 and 2019/20. In addition, we have estimated an increase for 2020/21 in line with this triennial valuation. In all years, the projected employer pension contributions are higher than the Approved Budget.
- **Additional Business Rate Payments** – Business Rates revaluation has meant a net increase in the Rateable Value of Council owned properties of **£310,000** and although the rate in the pound (multiplier) is projected to reduce from **48.4p** to **46.7p** there will be an additional annual cost to the Council. The transitional protection introduced may reduce the level of increase in the earlier years.

- **Reduced Investment Income** – The level of investment returns was based on our Treasury Management Advisors interest rate forecasts near the end of 2015. These forecasts assumed a gradual increase in interest rates over the period of the MTFS to reflect the improved economic conditions. However, following the EU Referendum result and its immediate impact on the economy, the Bank of England on the 4 August 2016 reduced interest rates to **0.25%** and the rate (or an even lower rate) is now expected to remain for the Medium Term.
- **Incremental and Other Changes in Pay** – this includes salary incremental changes as employee progress through their salary scales.
- **Other (Including Friarsgate)** - including Inflation increases and other general changes. In addition, the financial implications of Friarsgate are based on the report to Cabinet on 1 November 2016 and include a projected cost pressure (in excess of the available Earmarked Reserve) for the project in 2020/21 of **£112,000.**

3.10 The key reasons for the change in funding compared to the Approved MTFS are explained in the chart below:



3.11 These changes in funding are explained below:

- **New Homes Bonus** – the Local Government Finance Settlement introduced a number of changes to the New Homes Bonus regime following the consultation with the aim of identifying savings "of at least £800m" for Social Care. The proposed changes are detailed below:
  - Payments will be reduced from **six years to five** in 2017/18 and to **four years** from 2018/19.
  - A National baseline (deadweight) for growth of **0.4%** (the consultation mentioned **0.25%**) will be introduced. Only growth in excess of the baseline will attract New Homes Bonus. The Government has also reserved the right to alter the level in the event of significant or unforeseen housing growth.
  - Additional conditions will be applied such as withholding payment where there is no Local Plan or where houses are built after an appeal. These options will be subject to further consultation.

  The introduction of the National baseline (deadweight) has had the most significant impact on the Approved Budgets in 2017/18 and 2018/19.

- **Retained Business Rates** – the current 50% Business Rates regime has a number of significant risks. These risks include revaluations, Business Rate Appeals and the review of how need is reflected in the system from April 2020. The move to 100% retention of Business Rates by Local Government in 2020 and the regime that will operate is currently not clear and therefore creates significant uncertainty and risk from 2019/20. To mitigate the significant risk from 2019/20 the level of retained Business Rates has been reduced to be closer to the Government set Baseline.
- **The Business Rates Collection Fund Surplus** – The Money Matters Report for eight months elsewhere on this agenda projects a Business Rates Collection Fund surplus for 2016/17 of **(£789,000)**. This sum will be credited to the Revenue Budget in 2017/18 and it is recommended that the majority of this sum is utilised in 2017/18 and 2018/19 to offset the two years where the reduction in New Homes Bonus is highest.
- **Other** – these are other small funding changes including changes in Council Tax income.

3.12 The detailed assumptions used in the calculation of funding in the revenue budget are shown in detail at **APPENDIX A**.

3.13 To provide an element of certainty for Revenue Support Grant and Transition Grant the Council accepted the Government's invitation to be part of a four year settlement covering the years 2016/17 to 2019/20.

3.14 As part of this multi-year settlement process, the Council was required to develop and publish an Efficiency Plan. This Plan sets out the Council's approach to identifying the savings identified in the MTFS. This plan includes four strands:

- **In Year Efficiency Savings/Income Generation.** This is in recognition of the Council's favourable financial performance over the last three financial years, in comparison with the Approved Budget.
- **Fit for the Future (F4F) Efficiency Savings/Income Generation**. This is part of the Council's ongoing F4F programme. This programme is designed to manage the change that will be needed across The Council and its services in order to meet all of the changes following the fundamental review of Local Government finances.
- **F4F Transformational Change**. This is the element of the F4F programme designed to reshape and redesign The Council and its services into one that is fit for the future.
- **Growing the Business Rates and Council Tax base**. The Council will seek to maximise the growth of both of these in order to increase the income from these funding sources. This will help to enable The Council to become financially self-sufficient over the medium term.

The Capital Strategy

3.15 The Capital Strategy is shown at **APPENDIX B** and sets out the Council's framework for managing the Capital Programme including:

- Project identification and prioritisation.
- Planning obligations.
- The disposal of assets.
- Project and service procurement.
- Project implementation and monitoring.
- Performance Measurement.

The Capital Programme

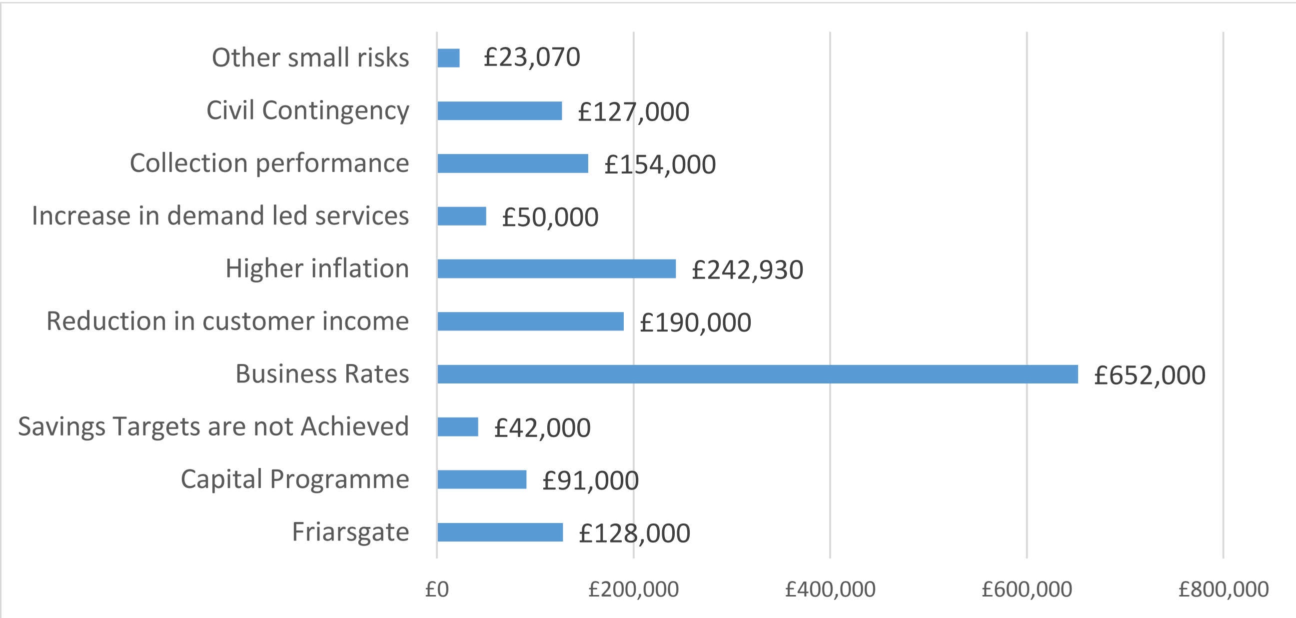
3.16 The Capital Programme is shown at **APPENDIX C** and is the investment plan for the Strategic Plan and beyond. It includes:

- The Capital Programme.
- The funding of the Capital Programme.
- The Corporate Council funded element of the Capital Programme.
- The Revenue Implications of the Capital Programme.

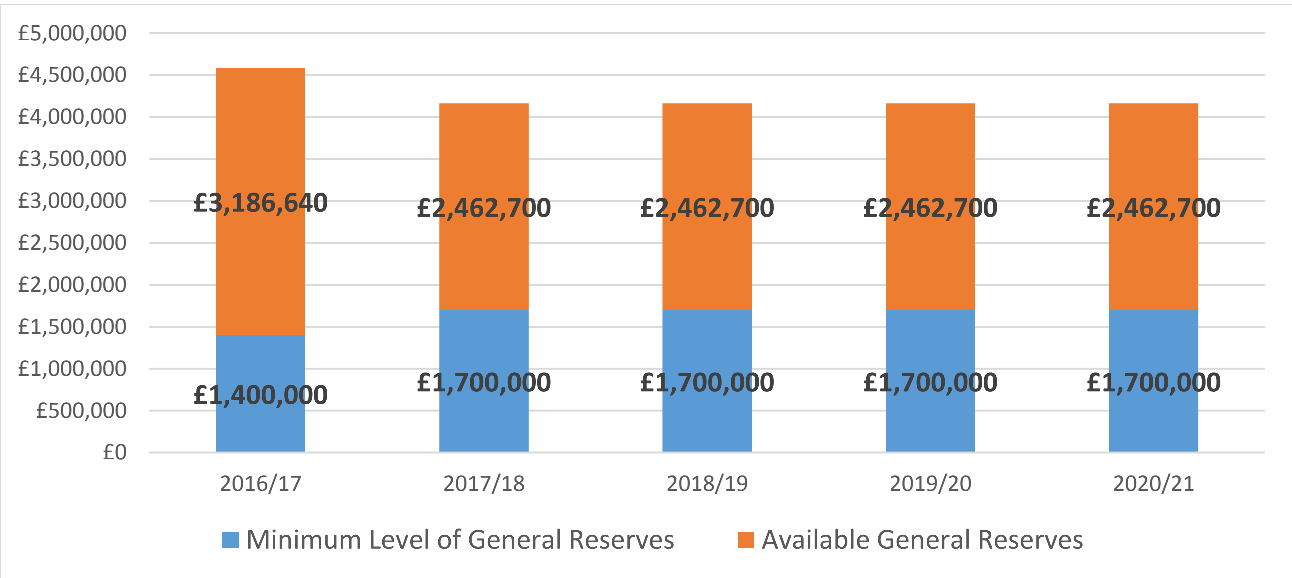
The Use of General Reserves and the Minimum Level

3.17 It is prudent for the Council to maintain an adequate 'working balance' or Minimum Level that is part of its general reserves. A risk assessment approach in line with Best Practice is used to determine the required Minimum Level and the level of general and earmarked reserves.

3.18 The Approved Minimum Level is **£1,400,000** and the MTFS projects an increase in this Minimum Level to **£1,700,000**. The main elements of the risk assessment are shown in detail at **APPENDIX D** and are summarised in the graph below:



3.19 The projected level of general reserves categorised by the Minimum Level and the level of reserves available for use by the Council for the MTFS are shown in the chart below:



Treasury Management

3.20 CIPFA has defined Treasury Management as :

> *"the management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."*

3.21 The Council is responsible for its treasury decisions and activity. No treasury management activity is without risk. The successful identification, monitoring and control of risk are an important and integral element of its treasury management activities. The main risks to the Council's treasury activities are:

- Liquidity Risk (Inadequate cash resources)
- Market or Interest Rate Risk (Fluctuations in interest rate levels)
- Inflation Risk (Exposure to inflation)
- Credit and Counterparty Risk (Security of Investments)
- Refinancing Risk (Impact of debt maturing in future years)
- Legal and Regulatory Risk

3.22 The Strategy also takes into account the impact of the Council's Revenue Budget and Capital Programme on the Balance Sheet position, the current and projected Treasury position, the Prudential Indicators and the outlook for interest rates.

3.23 **Cash Flow Forecast**

- Treasury Management includes the management of the Council's cash flows as a key responsibility. The cash flow forecast takes account of the income the Council receives including Housing Benefits Grant, Council Tax and Business Rate income together with expenditure such as payments to precepting bodies, employee costs and Housing Benefit payments.
- The planned monthly cash flow forecast for the 2017/18 financial year has been used to calculate the investment income budget. The key components of this calculation are the average level of investment balances and the yield achieved.
- The interest receipts have been estimated as **(£118,000)** (this equates to **4%** of The Council's income from Central Government grants and Retained Business Rates of **£2,720,000** in **2017/18**), interest and other payments of **£39,400** and Minimum Revenue Provision of **£62,900**.
- The graph of cash flow trends for 2014-18 shows the level of our investments is reducing due to the funding of our Capital Programme and the use of Balances to fund the Revenue Budget.
- In addition, the monthly cash flow together with the graph, shows investment levels increase in the first half of the year peaking in January 2018. This is due to receipt of Council Tax and Business Rate income instalments. However, these receipts reduce in the second half of the year because of our spend profile and the majority of Council Tax and Business Rate instalments end in January 2018.

3.24 **Balance Sheet Projections**

- As part of the MTFS, we prepare Revenue Budgets and a Capital Programme. These budgets together with the actual Balance Sheet from the previous financial year are used to also prepare Balance Sheet projections.
- These Balance Sheet projections (**APPENDIX E**) are significant in assessing the Council's Treasury Management Position in terms of borrowing requirement, investment levels and our Investment Policy and Strategy.

3.25 **Minimum Revenue Provision Statement 2016/17**

- The Council is required to make prudent provision for debt redemption (known as Minimum Revenue Provision (MRP) and each year the Council must approve its MRP statement and this will include an allowance for leases that appear on Council's Balance Sheet.
- As in previous years, the Council proposes to base its MRP on the estimated life of the asset **(APPENDIX F)**.

3.26 **Treasury Management Advice and the Expected Movement in Interest Rates**

- The Official Bank Rate outlook provided by the Council's Treasury Advisor is shown below:

Projection	Mar 2017	Jun 2017	Sep 2017	Dec 2017	Mar 2018	Jun 2018	Sep 2018	Dec 2018	Mar 2019	Jun 2019	Sep 2019	Dec 2019
Optimistic[1]	0.25	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25

- The Central Case rates have been used as the basis for preparation of the investment income budgets for 2017/18 and future years.

3.27 **Treasury Management Policy Statement, Annual Investment Strategy and Specified and Non-Specified Investments**

- The criteria and limits for Specified Investments and Non-Specified Investments are shown in detail at **APPENDICES G & H**.

- There are three changes to the previously Approved Investment Limits related to:
    1. **Approved Counterparties** (page 35) – in line with the advice of our Treasury Management Advisors we have removed the **BBB-** category.
    2. **Non Specified Investments** (page 37) – We have increased the limit for total investments without credit ratings or rated below A- from **£5m** to **£8m** to enable further investment in pooled investments.
    3. **Prudential Indicator 13 related to Principal Sums Invested greater than 364 days** (page 44) - this change reflects the projected higher levels of cash available to invest and provides flexibility to invest in additional longer term investments such as pooled investments. The Approved and recommended levels are shown below:

Year	Approved	Recommended
2016/17	£3.5m	£6.0m
2017/18	£2.5m	£6.0m
2018/19	£2.5m	£6.0m
2019/20	£2.5m	£6.0m
2020/21	£2.5m	£6.0m

Alternative Options	There are no alternative options.

Consultation	Strategic (Overview and Scrutiny) Committee at its meeting on 30 January 2017 scrutinised the MTFS and the Chair will provide feedback to Cabinet, as appropriate.

[1] This is a scenario where Interest Rates increases earlier that the central case projection.

Financial Implications	

Prudential Indicators (PIs)

The Prudential Indicators are shown in detail at **APPENDIX I**, and in the table below:

PI	Description	2016/17 Revised	2017/18 Original	2018/19 Original	2019/20 Original	2020/21 Original
1	Capital Expenditure (£m)	£2.925m	£5.332m	£1.860m	£4.223m	£1.598m
2	Ratio of Financing Costs to Net Revenue Stream (%)	5%	5%	5%	6%	5%
3	Capital Financing Requirement (£m)	£4.806m	£4.300m	£3.783m	£3.387m	£2.833m
3	Net external borrowing does not exceed the Capital Financing Requirement in the current year plus the next two years	True	True	True	True	True
4	Actual External Debt including Finance Leases (£m)	(£3.962m)	(£3.461m)	(£2.930m)	(£2.520m)	(£1.953m)
5	Incremental impact of capital investment decisions on Band D Council Tax (£)	(£0.12)	(£0.21)	(£0.91)	(£0.83)	(£1.64)
6	Authorised Limit (Maximum) (£m)	£13.857m	£14.108m	£14.604m	£14.912m	£14.990m
7	Operational Boundary (Maximum) (£m)	£5.972m	£5.895m	£5.834m	£5.773m	£5.712m
8	Adoption of CIPFA Code of Practice in Treasury Management	Yes				
9	Is our Gross Debt in excess of our Capital Financing Requirement and are we therefore borrowing in advance of need ?	No	No	No	No	No
	<u>Interest Rate Exposures (%)</u>					
10	Upper Limit for Investments (Fixed Interest Rate Exposure)	(100%)	(100%)	(100%)	(100%)	(100%)
10	Upper Limit for Investments (Variable Interest Rate Exposure)	100%	100%	100%	100%	100%
11	Upper Limit for Borrowings (Fixed Interest Rate Exposure)	(100%)	(100%)	(100%)	(100%)	(100%)
11	Upper Limit for Borrowings (Variable Interest Rate Exposure)	30%	30%	30%	30%	30%
	<u>Maturity Structure of Fixed Rate Borrowing (Upper Limit) (%)</u>	**<u>Lower Limit</u>**	**<u>Upper Limit</u>**			
12	Under 12 months	0%	100%			
12	12 months and within 24 months	0%	100%			
12	24 months and within 5 years	0%	100%			
12	5 years and within 10 years	0%	100%			
12	10 years and within 20 years	0%	100%			
12	20 years and within 30 years	0%	100%			
12	30 years and within 40 years	0%	100%			
12	40 years and within 50 years	0%	100%			
12	50 years and above	0%	100%			
13	Principal sums invested > 364 days (£m)	£6.000m	£6.000m	£6.000m	£6.000m	£6.000m
14	Credit Risk	We consider security; liquidity and yield, in that order, when making investment decisions				

Contribution to the Delivery of Lichfield District Council's Strategic Plan	The report directly links to overall performance and especially the delivery of Lichfield District Council's Strategic Plan 2016-20 and beyond.
Equality, Diversity and Human Rights Implications	These areas are addressed as part of the specific areas of activity prior to being included in Lichfield District Council's Strategic Plan 2016-20.
Crime & Safety Issues	These areas are addressed as part of the specific areas of activity prior to being included in Lichfield District Council's Strategic Plan 2016-20.

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	Council Tax is not set by the Statutory Date of **11 March 2017**.	Full Council set with reference to when major preceptors and Parishes have approved their Council Tax Requirements	Green - Tolerable
B	Planned Capital Receipts are not received related to the Asset Strategy Review and other Reviews	The budget for capital receipts will be monitored as part of The Council's normal budget monitoring procedures.	Yellow - Material
C	Achievement of The Council's key Council priorities	Close monitoring of performance and expenditure; maximising the potential of efficiency gains; early identification of any unexpected impact on costs including Central Government Policy changes, movement in the markets, and changes in the economic climate.	Green - Tolerable
D	Implementation of the Check, Challenge and Appeal Business Rates Appeals and more frequent revaluations processes.	To closely monitor the level of appeals. An allowance of **4.7%** (in line with the DCLG Allowance) for appeals has been included in the Business Rate Estimates.	Red - Severe
E	The financial impact of the changes to the New Homes Bonus regime announced in the Local Government Finance Settlement	The housing projections utilised in the projections for New Homes Bonus will need to take account of the reduction in payments from **6 to 4 years** and the inclusion of a baseline of **0.40%.**	Red - Severe
F	The Full Localisation of Business Rates from 2020	To assess the implications of proposed changes and respond to consultations to attempt to influence the policy direction in the Council's favour.	Red - Severe

Background documents:

CIPFA Code of Practice for Treasury Management in the Public Services.
The Prudential Code for Capital Finance in Local Authorities.

- Money Matters: Medium Term Financial Strategy (Revenue and Capital) 2016-20 Cabinet - 9 February 2016
- Procurement of Contract Hire Vehicles – Cabinet 9 February 2016
- Review of the Civic Function – Cabinet 5 April 2016
- Re-procurement of property and place related software applications – Cabinet 5 April 2016
- Re-procurement of Desktop Operating Software Contract – Cabinet 5 April 2016
- Approval of Formal Car Parking Strategy – Cabinet 10 May 2016
- Proposed Revised Charges for Street Naming and Numbering – Cabinet 5 July 2016
- Broadband Connections – Cabinet 5 July 2016
- Money Matters : 2016/17 Review of Financial Performance against the Financial Strategy – Cabinet 6 September 2016
- Friarsgate – Coach Park Lease – 4 October 2016
- Friarsgate - Amendments to the Development Agreement – Cabinet 1 November 2016
- Money Matters : 2016/17 Review of Financial Performance against the Financial Strategy – Cabinet 6 December 2016
- Money Matters : Council Tax, National Non Domestic Rates and Pension Contributions – Cabinet 17 January 2017
- Money Matters : 2016/17 Review of Financial Performance against the Financial Strategy – Cabinet 7 February 2017

Relevant web link :

The Provisional Local Government Finance Settlement:
https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2017-to-2018

APPENDIX A

GENERAL FUND TOTAL REQUIREMENT DISTRICT COUNCIL PURPOSES FOR FINANCIAL YEARS 2016/17 to 2020/21 ANALYSED BY STRATEGIC PRIORITY AND SERVICE AREA						
BUDGET	2016/17		2017/18	2018/19	2019/20	2020/21
	Original Budget	Revised Budget	Original Budget	Original Budget	Original Budget	Original Budget
	£	£	£	£	£	£
LEVEL OF UNCERTAINTY / RISK	LOW			MEDIUM	HIGH	
Strategic Priority						
A vibrant and prosperous economy	(344,170)	(944,510)	(534,990)	(487,800)	(427,060)	(322,260)
A council that is fit for the future	5,242,500	5,358,160	5,653,680	5,897,350	6,143,370	6,388,830
Healthy and safe communities	1,880,350	1,862,280	1,814,520	1,924,480	2,044,220	2,115,340
Clean, green and welcoming places to live	3,851,380	3,527,450	3,882,240	4,008,490	4,112,950	4,195,650
Efficiency Plan	(350,000)	0	0	0	0	0
Savings Required	0	0	0	(1,050,840)	(2,452,710)	(2,743,060)
Net Cost of Services	**10,280,060**	**9,803,380**	**10,815,450**	**10,291,680**	**9,420,770**	**9,634,500**
Service Area						
Chief Executive	849,370	707,760	767,480	774,540	781,680	788,920
Finance & Procurement	984,000	1,412,960	1,489,630	1,659,780	1,830,980	2,000,960
Legal, Property & Democratic Services	296,130	23,590	281,610	291,870	323,430	341,360
Revenues, Benefits and Customer Services	723,570	570,130	701,630	748,860	793,250	813,410
Corporate Services	2,434,330	2,393,600	2,313,110	2,366,270	2,421,600	2,478,880
Leisure & Operational Services	2,522,060	2,523,000	2,514,620	2,653,380	2,825,190	2,912,430
Development Services	181,530	(44,920)	139,360	154,570	168,670	180,200
Economic Growth	16,770	(220,140)	105,530	130,550	147,700	226,150
Regulatory Services, Housing & Wellbeing	1,348,170	1,230,940	1,279,760	1,292,740	1,306,510	1,319,070
Waste Services	1,274,130	1,206,460	1,222,720	1,269,960	1,274,470	1,316,180
Efficiency Plan	(350,000)	0	0	0	0	0
Savings Required	0	0	0	(1,050,840)	(2,452,710)	(2,743,060)
Net Cost of Services	**10,280,060**	**9,803,380**	**10,815,450**	**10,291,680**	**9,420,770**	**9,634,500**
Net Treasury Position	(25,000)	(87,340)	(15,600)	(7,200)	(6,800)	(6,450)
Revenue Contributions to the Capital Programme	154,000	181,500	154,000	154,000	154,000	154,000
Net Operating Cost	**10,409,060**	**9,897,540**	**10,953,850**	**10,438,480**	**9,567,970**	**9,782,050**
Less : Transfer (from) / to General Reserve	8,560	307,500	(423,940)	0	0	0
Less : Transfer (from) / to Earmarked Reserves	108,020	258,960	504,840	(862,480)	(274,970)	(2,050)
Amount to be met from Government Grants and Local Taxpayers	**£10,525,640**	**£10,464,000**	**£11,034,750**	**£9,576,000**	**£9,293,000**	**£9,780,000**

Retained Business Rates	(2,320,000)	(2,226,300)	(2,484,000)	(2,423,000)	(2,259,000)	(2,261,000)
Revenue Support Grant / Tariff Adjustment	(773,000)	(773,000)	(236,000)	0	453,000	463,000
Returned New Homes Bonus	0	(4,400)	(5,000)	0	0	0
Business Rates Cap	0	(32,360)	0	0	0	0
Parish Local Council Tax Support	107,000	107,000	87,000	78,000	58,000	58,000
New Homes Bonus	(1,882,700)	(1,878,000)	(1,422,000)	(878,000)	(909,000)	(1,144,000)
Transition Grant	(51,940)	(51,940)	(51,750)	0	0	0
Council Tax Collection Fund (surplus) / deficit	(58,000)	(58,000)	(40,000)	0	0	0
Business Rates Collection Fund (surplus) / deficit	310,000	310,000	(789,000)	0	0	0
Council Tax Requirement	(5,857,000)	(5,857,000)	(6,094,000)	(6,353,000)	(6,636,000)	(6,896,000)
Council Tax Base	**36,610**	**36,610**	**36,935**	**37,370**	**37,889**	**38,231**
Lichfield District Council Tax Requirement	**£159.99**	**£159.99**	**£164.99**	**£169.99**	**£174.99**	**£179.99**

Amount to be met from Government Grants and Local Taxpayers	11,034,750	9,576,000	9,293,000	9,780,000
Use of General Reserves / Funding Gap	423,940	1,050,840	2,452,710	2,743,060
Total Expenditure	**£11,458,690**	**£10,626,840**	**£11,745,710**	**£12,523,060**

Funding Lichfield District Council's Strategic Plan 2016-20: The Financial Strategy

1. The ability to deliver the outcomes set out in the Strategic Plan is dependent on resources, and therefore this must drive the Medium Term Financial Strategy.

2. The Local Government Act 2003 (Sections 25-28) places duties on Local Authorities on how they set and monitor budgets.
The Council's Chief Financial Officer (CFO), is of the opinion that the estimates are robust and the Council's proposed Reserves are adequate (Sections 25-27).
Section 28 of the Act places a statutory duty on an authority to review its budget from time to time during the year. If the Budget Monitoring Report shows that there has been deterioration in the Authority's financial position, the Authority must take such action as it considers necessary.
The Council currently reviews the Budget on a quarterly basis and this practice will continue.
Supporting information on the Chief Financial Officer's Report on the robustness of the budget and the adequacy of Reserves is shown in **APPENDIX D**.

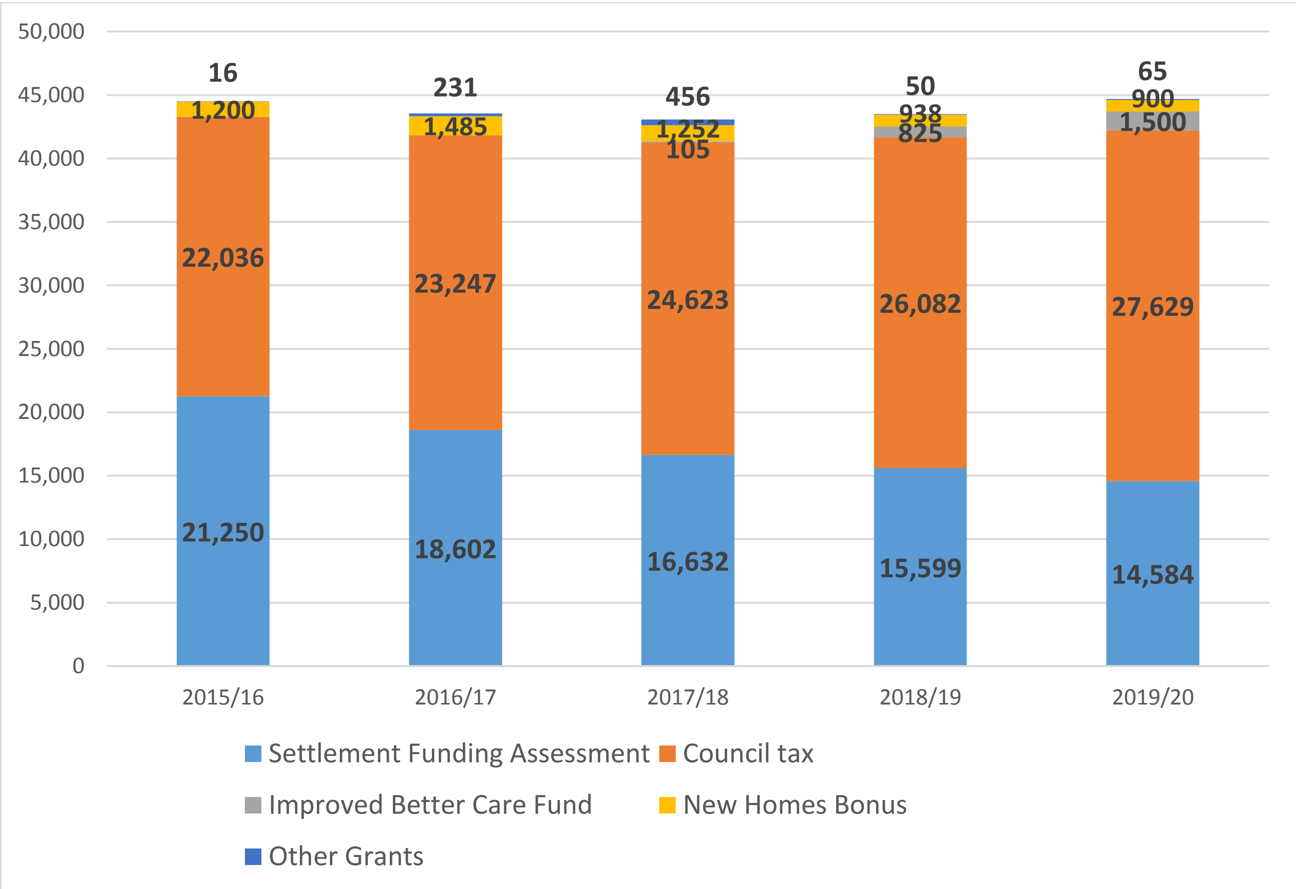
Revenue Budget

The Provisional Local Government Settlement

3. The Council was advised of its Provisional Four Year Funding Settlement for 2016/17 to 2019/20 on 15 December 2016.

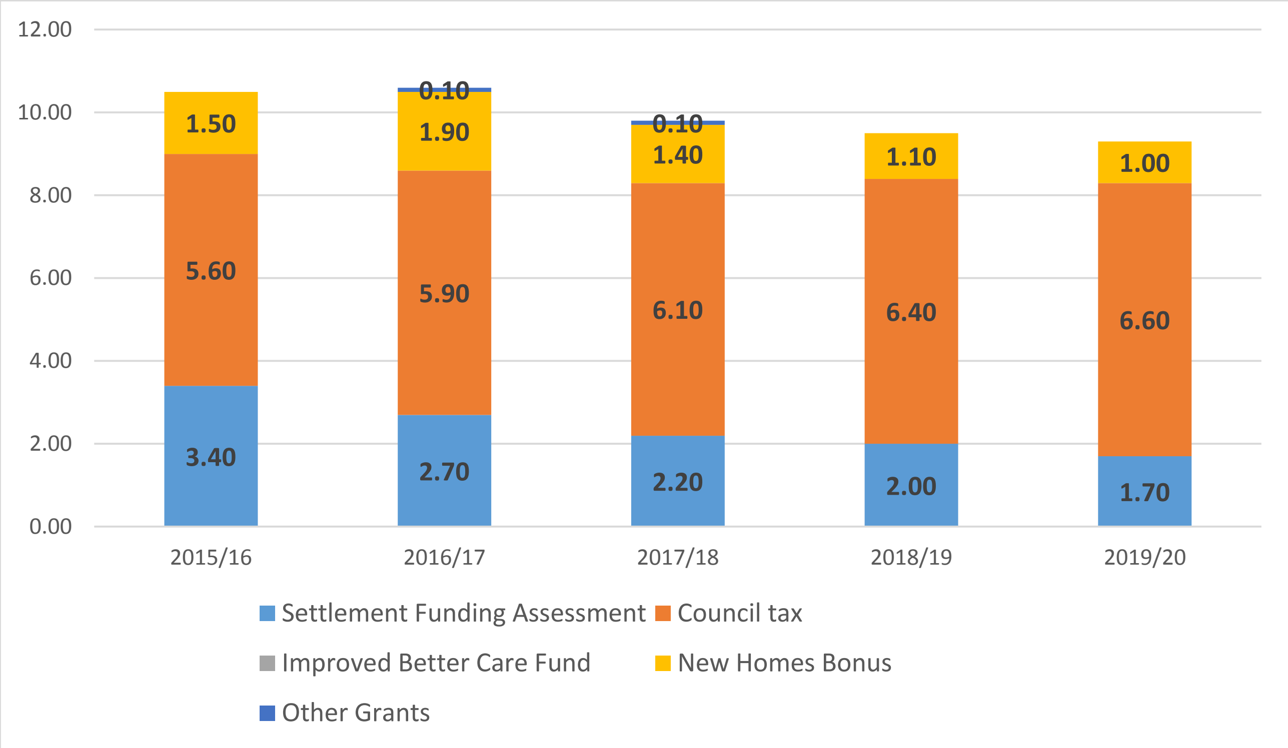
Core Spending Power

4. The Settlement Funding Assessments (SFA) and Core Spending Powers for all Councils in England in £m are shown in the chart below :



5. These figures show a change in Core Spending Power from 2015/16 to 2019/20 of **£177m** or **0.4%.**

6. **Government's Assessment of Lichfield's Core Spending Power**
Government has produced for each local authority *notional* figures known as 'core spending power' based on national projections to enable comparisons to be made between different years. These core spending power figures consist of the Council's main income streams such as Council Tax, Settlement Funding Assessments (consisting of Revenue Support Grant and Retained Business Rates) and New Homes Bonus. The figures in £m for Lichfield are provided in the following chart:



7. These figures show a reduction in Core Spending Power from 2015/16 to 2019/20 of **£1.2m** or **11.3%.**

8. Using these *notional* core spending power figures, the equivalent Settlement Funding Assessment percentage reduction is **18.52%** in 2017/18 in comparison with adjusted core spending power 2016/17.

9. Revenue Support Grant (RSG) for 2017/18 represents **9%** (30% in 2016/17) of the Settlement Funding Assessment for the Council. RSG Funding for 2016/17 is **(£773,000)** and is reduced by **£537,000** or **69%** to **(£236,000)** for 2017/18 in comparison with 2016/17.

Retained Business Rates

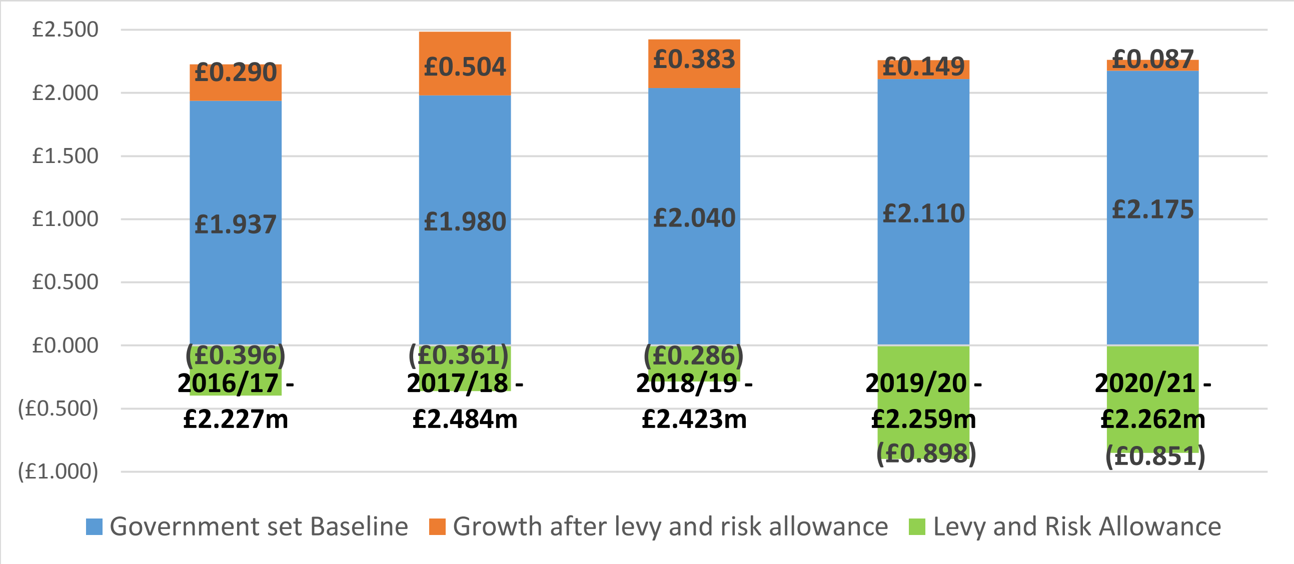
10. As part of the Provisional Local Government Settlement, Government produces assessments of the level of Retained Business Rates by each Authority and these are known as a Baseline. These baselines are how need is reflected in the Business Rates framework. They were set when the new framework was introduced on 1 April 2013 and are normally increased by the Retail Price Index each year.

11. There are a number of key risks to these figures :

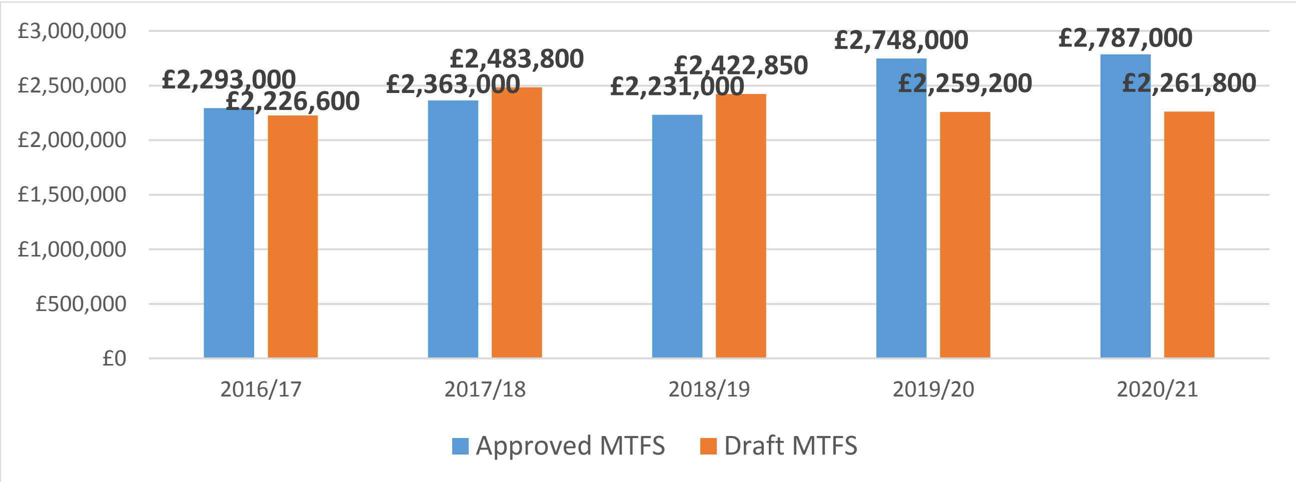
- The National Economy including any impact of Brexit and its impact at a local level.
- The Business Rate revaluation in 2017.
- The Business Rate reset to reflect updated need and full Localisation in 2020.
- The level and timing of current and future Business Rate Appeals.
- The impact of any future changes to the timing and design of the Friarsgate project.

12. The Council produces its own Business Rate estimates that also take into account local factors.

13. The Government set Baseline, the projected level of growth included in the MTFS (Growth after levy and risk allowance) and the projected level of growth not included in the MTFS (Levy and Risk Allowance) are shown in the graph below:

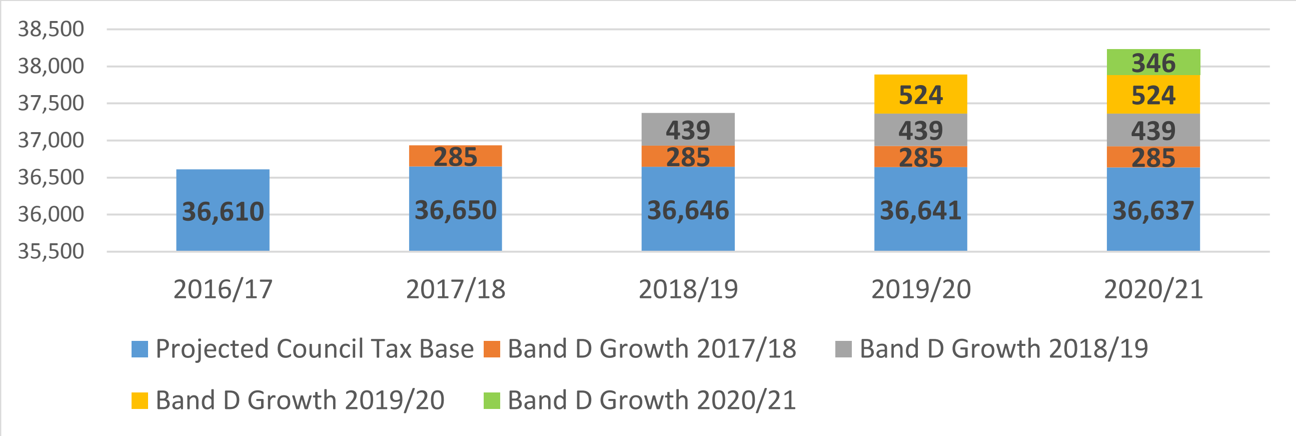


14. A summary of how these projections in the MTFS compare to the Approved MTFS are shown in the chart below:



Council Tax Base (CTB) Projections

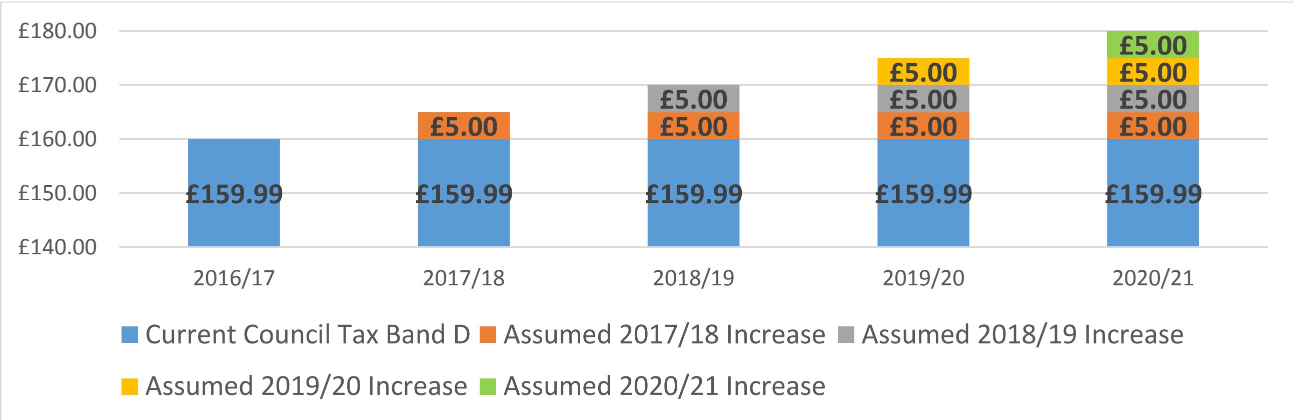
15. The projections include the following key assumptions on Taxbase growth:



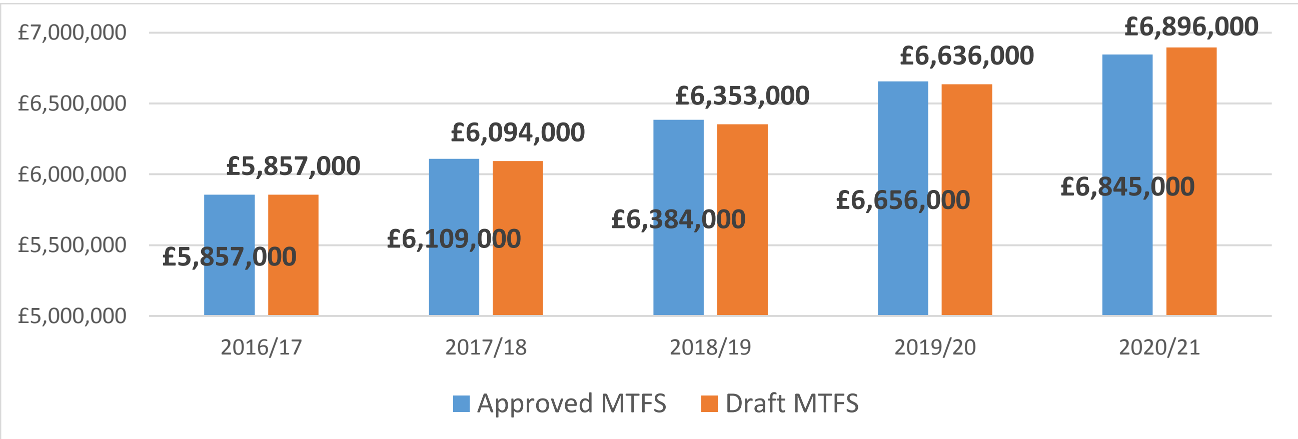
Modelled Council Tax Increase

16. Under the Localism Act 2011, local communities have the power to decide on Council Tax rises. It was announced as part of the Provisional Finance Settlement, that the limit for Council Tax increases for 2017/18 will be the higher of **2**% or **£5.00**. Any increases proposed above this level will require a referendum.

17. The Approved MTFS is based on a year-on-year increase of **£5.00** and this assumption continues for the MTFS. The modelled level of Council Tax increases included in the MTFS are shown in the chart below:



18. A summary of how these Council Tax income projections in the MTFS compare to the Approved MTFS are shown in the chart below:



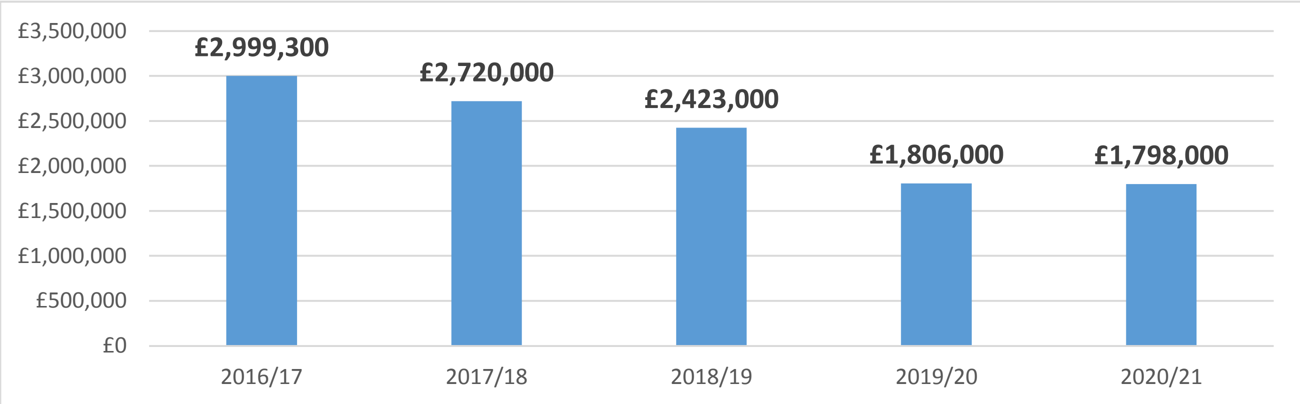
Parish Local Council Tax Support

19. The localisation of Support for Council Tax took effect from 1 April 2013.

20. Government has advised that funding attributable to the parish precept will be provided to the Billing Authority. It is included in the Core Spending Power and it also expects the Billing Authority to work with local parish and town councils to provide certainty over their funding.

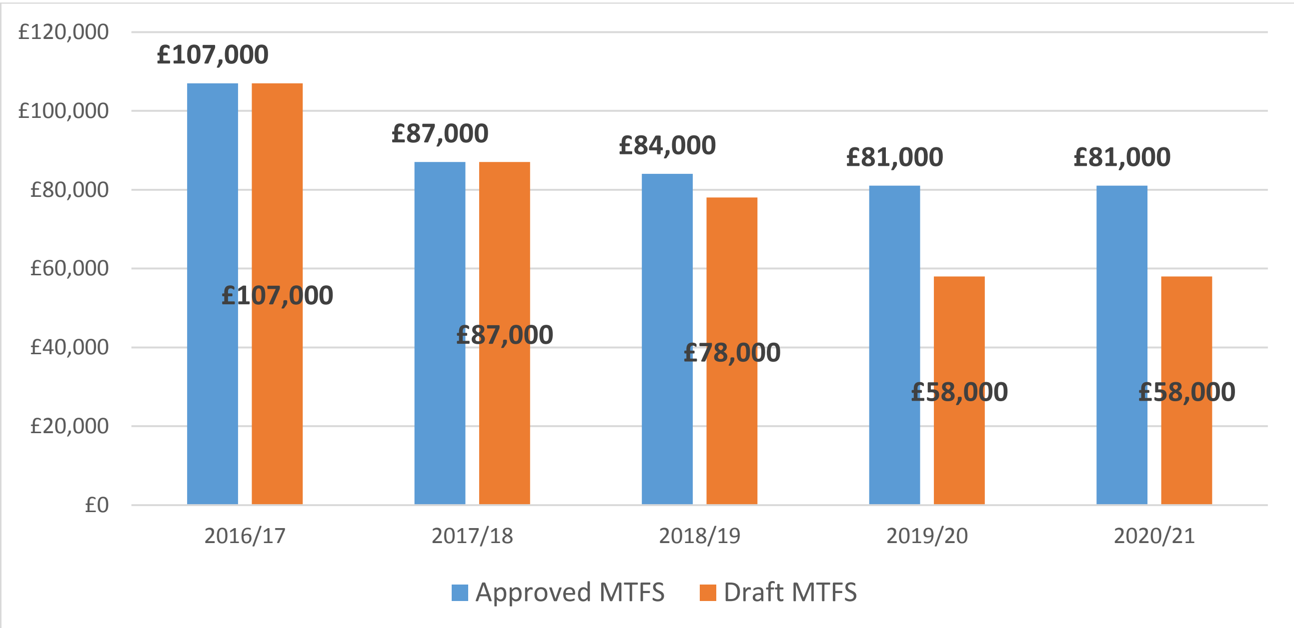
21. In deciding the amount of funding to be passed down to local precepting authorities, the Billing Authority needs to decide how much of a contribution the local preceptor needs to make towards the cost of Local Council Tax Support (LCTS), where it exceeds the level of funding provided by Government.

22. The chart below shows estimates of Settlement Funding Assessment (SFA) figures for 2016/17; the provisional settlement for 2017/18 together with estimates for 2018/19, 2019/20 and 2020/21:



23. The use of the District Council's SFA based figures provides a basis to determine the percentage change in funding allocated to parishes for LCTS. An alternative would be to use Government's Core Spending Power which includes Council Tax and New Homes Bonus.

24. It is proposed that for 2017/18, a reduction will apply to reduce the Funding Allocation in line with Council's reduction for SFA. The chart below shows the levels of Parish Local Council Tax Support in the Approved MTFS compared to the MTFS:



New Homes Bonus

25. New Homes Bonus was introduced in 2011/12 by financially rewarding The Council for each new home that is built within its area. The Council retains **80%** with the remaining **20%** being paid to the County Council.

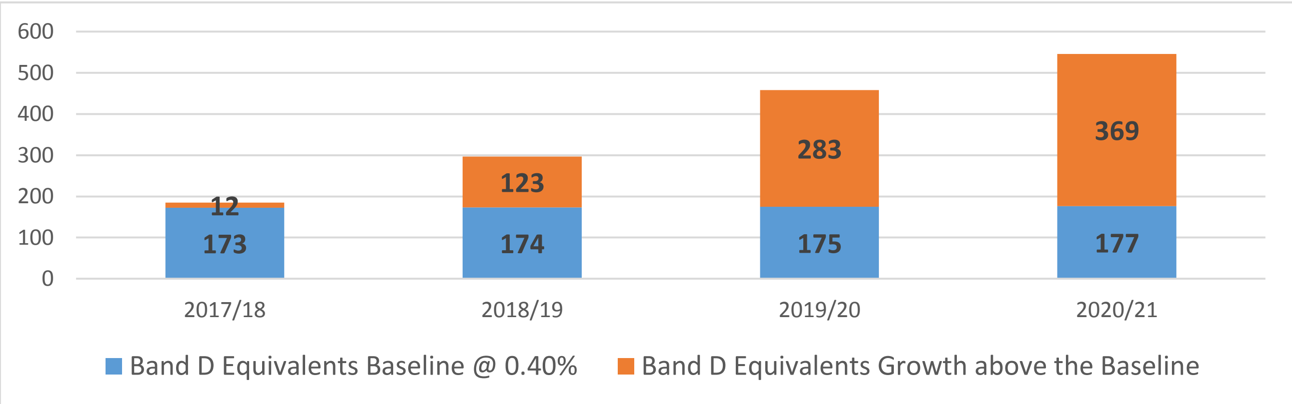
26. The results of the consultation titled "sharpening the incentive" were announced as part of the Local Government Finance Settlement on 15 December 2016.

27. The Local Government Finance Settlement introduced a number of changes to the New Homes Bonus regime following the consultation with the aim of identifying savings "of at least £800m" for Social Care. The proposed changes are detailed below:

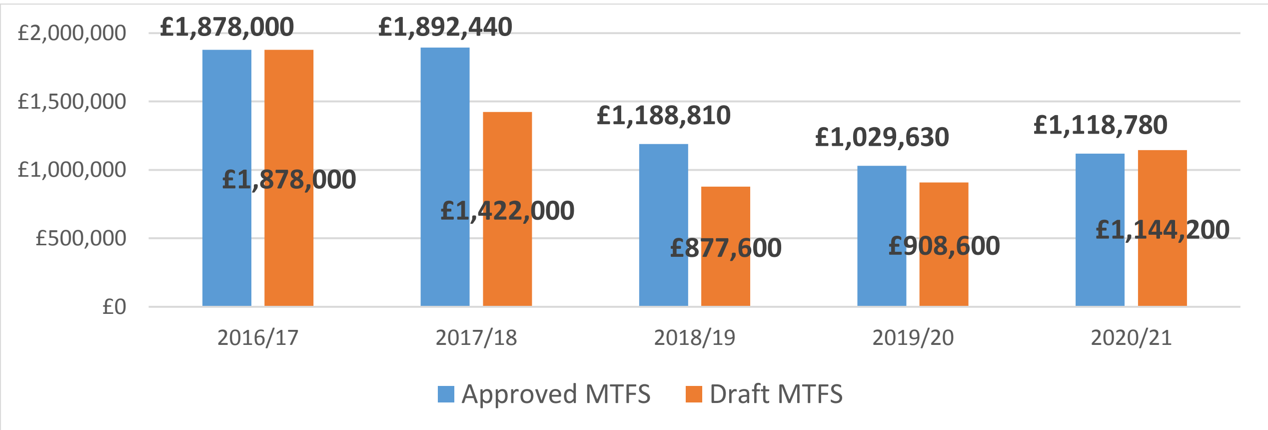
    - Payments will be reduced from **six years to five** in 2017/18 and to **four years** from 2018/19.
    - A National baseline (deadweight) for growth of **0.4%** will be introduced. Only growth in excess of the baseline will attract New Homes Bonus. The Government has reserved the right to alter the level in the event of significant or unforeseen housing growth.
    - Additional conditions will be applied such as withholding payment where there is no Local Plan or where houses are built after an appeal. These options will be subject to further consultation.

28. The introduction of the National baseline (deadweight) of **0.4%** of Taxbase has had the most significant impact on the Approved Budgets in 2017/18 and 2018/19 (in the consultation a figure of **0.25%** was mentioned).

29. The projections of growth subject to the New Homes Bonus reward together with the projected Baseline (deadweight) is shown in the graph below:



30. A summary of how these projections in the MTFS compare to the Approved MTFS are shown in the chart below:



Resourcing our Investment Plans : The Capital Programme

31. The Capital Programme identifies all Capital projects approved by Council in line with its Capital Strategy. The Capital Programme is updated either as a result of Cabinet approvals, or through delegation approved by the Council. The Capital Programme 2016-21 is shown by the Strategic Plan priority in **APPENDIX C**.

The Capital Strategy

Project Identification and Prioritisation

32. The Capital Programme is a rolling programme subject to change that identifies the Council's capital investment plans for both its assets and the wider community's needs to achieve its strategic aims and objectives.

33. The Council manages its Capital Strategy through the Council's Leadership Team and Service Managers.

Project Prioritisation

- All new capital investment needs are identified using a standard Capital Investment template.
- These documents identify the project title, officers and the Cabinet Member with responsibility.
- They also included key project information such as reasons for the project, options considered and links to the corporate objectives together with financial and risk information.

Planning Obligations - Section 106 and Community Infrastructure Levy (CIL)

34. As part of the planning process in relation to planning obligations including the Community Infrastructure Levy from new developments. The vast majority is spent directly on infrastructure works or will be spent in line with the Infrastructure Delivery Plan (IDP).

35. There is however an element of contributions, which afford an element of discretion on how they are allocated. These contributions towards social and community facilities are linked to the development proposed.

36. Whilst some of these financial contributions are very specific in terms of the projects on which they must be spent, a proportion is to be allocated towards appropriate social and community schemes that result in time from the proposed development.

37. The Council's Capital Programme includes a number of projects that are to be funded by Section 106 and will begin to include projects funded by CIL; this is a significant source of funding and there is a significant level of interest from the community in relation to the allocation of sums to projects.

The Disposal of Assets.

38. The Council has determined an Asset Disposal policy. This policy involves evaluating each asset that The Council owns against the following criteria to determine if ownership should be retained :

- The strategic aims that the ownership of the asset helps The Council to achieve.
- The rate of return that investment properties generate.
- Whether disposal of the asset would further enhance the achievement of strategic aims.

39. The Council reviews its assets on an annual basis and in 2014 made the decision to market some of its investment properties[2]. In addition, as part of F4F Reviews, the potential to transfer assets to other organisations or to dispose of assets is currently being considered.

[2] Council Meeting held 30 September 2014.

40. The Spending Review 2015 announced that Government would *"let Councils spend 100% of the receipts from the assets they sell to improve their local services*". The Guidance published by Communities and Local Government permits Revenue Expenditure to be treated as Capital Expenditure, and this is funded from capital receipts where expenditure is *"incurred on projects designed to reduce future revenue costs and/or transform service delivery"*.

Project and Service Procurement

41. The Council has evaluated its procurement policies in line with best practice. The table below shows the five drivers of change identified within the report and the action the Council has taken or is taking to improve its procurement practices.

Driver for Change	Lichfield District Council's Initiatives
Committed leadership	• Clarity of decision making is provided through the role of Cabinet being specified. • Committees have been set up to scrutinise the decisions of the Cabinet.
A focus on the customer	• The design of major capital projects involves stakeholder participation at the design stage. • A number of major capital projects are or can involve a management board consisting of stakeholders.
Integrated processes and teams	• The Council utilises the Projects in a Controlled Environment (PRINCE2) methodology be used to project manage all new major projects. • The Council engages in value engineering dialogue with appointed contractors to determine cost savings and quality enhancements in major capital contracts. • A risk management strategy to identify possible risks to successful outcomes and the ways these risks could be managed has been developed.
A quality driven agenda	• The Council has developed a procurement strategy.
Commitment to people	• The Council's Financial Procedure Rules and Contract Procedure Rules require evaluation of potential contractors' records on Health & Safety etc.

Project Implementation and Monitoring

42. The Project Manager for each project is responsible for managing the project implementation and delivering its objectives. This monitoring is often in partnership with professional services such as architects and service users. Additionally, some projects are subject to external monitoring, particularly when projects are using grant funding.

43. Project Managers hold regular meetings with parties involved in the procurement process.

44. Member involvement in capital monitoring, in conformance with the requirements of the Local Government Act, consists of regular reporting on the Capital Programme to Cabinet and Overview and Scrutiny Committees.

Performance Measurement

45. The Council undertakes performance measurement in relation to capital investment in a number of different ways :

- As part of the project development, the project manager identifies the objectives that the success of the project will be measured against.
- Regular reports to Cabinet and the Overview and Scrutiny Committees in relation to the progress of major projects such as Friarsgate are undertaken.

APPENDIX C

Full Capital Programme 2016-21

Project	2016/17 £000	YTD Spend 2016/17 £000	Financial Year 2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total £000
Accessible Homes (Disabled Facilities Grants)	850	416	850	850	850	850	4,250
Home Repair Assistance Grants	15	15	15	15	15	15	75
Energy Insulation Programme	56	26	10	10	10	10	96
Burntwood Leisure Centre Enhancement Work	95	38	170	42	3		310
Replacement Treadmills at Burntwood Leisure Centre	40						40
Play Area at Hawksyard	1						1
Play Area at Cherry Close, Burntwood	23	24					23
Squash Court and Sports Hall Floor	50						50
King Edwards Synthetic Pitch Renewal	370	35					370
Decent Homes Standard / DCLG Monies			649				649
Housing Redevelopment Scheme - Packington			80				80
Unallocated S106 Affordable Housing Monies			400				400
Environmental Health Vehicle	20	19					24
Customer Services - Counter Call	4						4
Community Building at Hawksyard			320				320
Oakenfield Play Area (Sinking Fund)	9						9
Healthy and safe communities	**1,533**	**573**	**2,494**	**917**	**878**	**875**	**6,697**
Shortbutts Park, Lichfield	38	5					38
Darnford Park	13						13
Vehicle Replacement Programme	833	730	167	151	316	213	1,680
Environmental Improvements - Upper St. John Street	7						7
Fazeley Crossroads Environmental Improvements	4						4
Leomansley Area Improvements	3						3
Ancient Monument	2						2
Stowe Pool Improvements			100		450	450	1,000
Canal Culvert at Huddlesford			100				100
Clean, green and welcoming places to live	**900**	**735**	**367**	**151**	**766**	**663**	**2,847**
Friarsgate Support	306	121	1,830	313	2,082		4,531
Friarsgate – Castle Dyke/Frog Lane Enhancements			50	100	400		550
Friarsgate – Railway Station Forecourt				5	5		10
Website Development - Rate my Place	11						11
Lichfield Blue Plaque Trail	1						1
Garrick Square			58				58
Sankey's Corner Environmental Improvements	5	1					5
Car Parks Variable Message Signing			32				32
Old Mining College Refurbishment	14						14
A vibrant and prosperous economy	**337**	**122**	**1,970**	**418**	**2,487**	**0**	**5,212**
Depot Sinking Fund	11						11
Asset Management - District Council House / H & S	31		1				32
Asset Management - Condition Survey (all Priorities)	40		300	124	60	60	584
Planning Software	23						23
IT Investment	50	26	200	250	32		532
A council that is fit for the future	**155**	**26**	**501**	**374**	**92**	**60**	**1,182**
TOTAL	**2,925**	**1,456**	**5,332**	**1,860**	**4,223**	**1,598**	**15,938**

Projects totalling between £0 and £250k in 2016/21	381	90	296	30	30	25	762
Projects totalling between £250k and £500k in 2016/21	465	73	890	42	3	0	1,400
Projects totalling over £500k in 2016/21	2,079	1,293	4,146	1,474	4,190	1,573	13,776

Funding the Full Capital Programme 2016-21

Funding Source	2016/17 £000	Financial Year 2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total £000
Usable Capital Receipts	705	1,070	808	897	78	3,558
Revenue	182	154	154	154	154	798
Burntwood Sinking Fund	130	170	42	3		345
Reserves	328	96	121	1,831	188	2,564
Section 106	81	814		20	20	936
Grants	754	2,953	705	1,133	1,132	6,677
Leasing	745	75	30	185	25	1,060
TOTAL FUNDING	**2,925**	**5,332**	**1,860**	**4,223**	**1,598**	**15,938**
FUNDING GAP (Borrowing Need)	**0**	**0**	**0**	**0**	**0**	**0**
Total Corporate Council Funding	**887**	**1,224**	**962**	**1,051**	**232**	**4,356**

Capital Programme 2016-21 (Corporate Council Funding)

Project	2016/17 £000	Financial Year 2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	Total £000
Accessible Homes (Disabled Facilities Grants)	131	145	145	145	145	711
Home Repair Assistance Grants	15	15	15	15	15	75
Energy Insulation Programme	31	10	10	10	10	71
Replacement Treadmills at Burntwood Leisure Centre	5					5
King Edwards Synthetic Pitch Renewal	215					215
Oakenfield Play Area (Sinking Fund)	9					9
Healthy and safe communities	**406**	**170**	**170**	**170**	**170**	**1,086**
Shortbutts Park, Lichfield	20					20
Stowe Pool Improvements		1		2	2	5
Canal Culvert at Huddlesford		96				96
Clean, green and welcoming places to live	**20**	**97**		**2**	**2**	**121**
Friarsgate Support	306	406	313	382		1,407
Friarsgate – Castle Dyke/Frog Lane Enhancements		50	100	400		550
Friarsgate – Railway Station Forecourt Enhancements			5	5		10
A vibrant and prosperous economy	**306**	**456**	**418**	**787**		**1,967**
Depot Sinking Fund	11					11
Asset Management - District Council House	31	1				32
Asset Management - Condition Survey (all Priorities)	40	300	124	60	60	584
IT Investment	50	200	250	32		532
Planning Software	23					23
A council that is fit for the future	**155**	**501**	**374**	**92**	**60**	**1,182**
TOTAL	**887**	**1,224**	**962**	**1,051**	**232**	**4,356**

Revenue Implications

Revenue Implications	2016/17	2017/18	2018/19	2019/20	2020/21	Total
Minimum Revenue Provision	£62,900	£62,900	£46,700	£47,600	£47,600	£267,700
Loss of Investment Income	£2,720	£5,450	£6,400	£7,100	£8,800	£30,470
External Interest	£37,400	£35,900	£34,300	£32,700	£31,110	£171,410
Asset Management - DCH Property Condition	£154,000	£25,000	£25,000	£25,000	£25,000	£254,000
Revenue Implications	(£220,920)	£3,420	£81,860	(£229,400)	(£326,100)	(£691,140)
Total Direct Revenue Implications	**£36,100**	**£132,670**	**£194,260**	**(£117,000)**	**(£213,590)**	**£32,440**
Revenue Funding	£181,500	£154,000	£154,000	£154,000	£154,000	£797,500
Total Revenue Implications	**£217,600**	**£286,670**	**£348,260**	**£37,000**	**(£59,590)**	**£829,940**
Approved Capital Programme	**£222,100**	**£294,530**	**£382,190**	**£68,480**	**£3,160**	**£970,460**
CHANGE	**(£4,500)**	**(£7,860)**	**(£33,930)**	**(£31,480)**	**(£62,750)**	**(£140,520)**

APPENDIX D

CFO Report on Robustness of the Budget and Adequacy of Reserves - Supporting Information

Context

82. In accordance with the Local Government Act 2003 (Sections 25-27) and to comply with CIPFA Guidance on Local Authority Reserves and Balances, the CFO is required to formally report to Members on the robustness of the Budget and the adequacy of Reserves. The CFO is appropriately qualified under the terms of Section 113 of the Local Government Finance Act 1988.

Adequacy of Reserves

83. The CFO assesses and determines the appropriate level of Reserves and Provisions using a variety of mechanisms, including :

- Being significantly involved in the Budget setting process, the annual financial cycle and engaged in the strategic leadership of the organisation as a member of the Leadership Team including wider corporate roles beyond that of finance;
- Leading and writing on the annual revision of the MTFS;
- Challenging the budget at various stages of preparation, including the reasonableness of the key budget assumptions and sensitivities such as estimates for inflation and corporate financial pressures, realism of income targets and the extent to which known trends and liabilities are provided for :
  - Meetings with specific colleagues to examine particular areas or issues;
  - An in-depth review of the financial risks assessment;
  - Review of the movements, trends (including a comparison to the level at other Councils) and availability of contingency, provisions and earmarked reserves to meet unforeseen cost pressures in the context of future pressures and issues;
  - The use of professional experience and best professional judgement;
  - The use of appropriate professional, technical guidance and local frameworks;
  - Knowledge of the colleagues involved in the process, particularly finance professionals, including their degree of experience and qualifications;
  - Review of the strength of financial management and reporting arrangements, including internal control and governance arrangements. This is undertaken in consultation with relevant colleagues and Members of the Cabinet.

84. It is prudent for Councils to maintain an adequate ‘working balance’, that is part of General Reserves. A Risk Assessment approach is used to determine the required level of General Reserves and Provisions.

85. The Council’s aim is to have a prudent level of General Reserves available for unforeseen financial risks. The Council projects general reserves of **£4,586,640** at 31 March 2017. The minimum level of Reserves for 2017/18 onwards is **£1,700,000** and has been determined by Risk Assessment**.** This is **15%** of the amount to be met from Government Grants and Local Taxpayers in 2017/18 of **£11,034,750**.

86. In recommending an adequate level of Reserves, the CFO considers and monitors the opportunity costs of maintaining particular levels of Reserves and Balances and compares these to the benefits accrued from having such Reserves. The opportunity cost of maintaining a specific level of Reserves is the 'lost' opportunity for example, of investing elsewhere to generate additional investment income, or using the funds to invest in service improvements.

87. In assessing this, it is important to consider that Reserves can only be used once and are therefore potentially only "one off" sources of funding. Therefore, any use of General Reserves above the lower minimum threshold is only ever used on one-off items of expenditure.

88. Expenditure - the level of Reserves is also determined by use of a comprehensive risk assessment to ensure they represent an appropriately robust "safety net" that adequately protects The Council against potential unbudgeted costs.

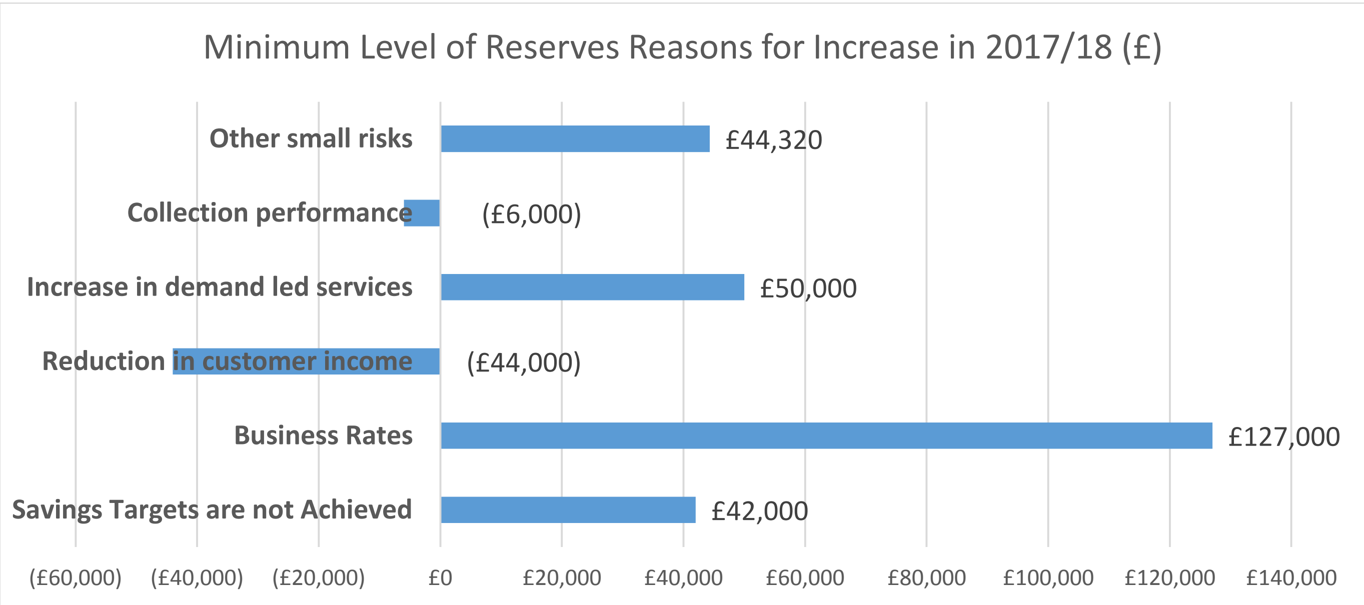
Use of General Revenue Reserves

89. The above assessment demonstrates that General Revenue Reserves are at an appropriate level as determined in accordance with the MTFS and the CFO's professional advice. The MTFS allows any Reserves above the level required by the Strategy to be used to fund one-off items of expenditure. No General Revenue Reserves below the minimum threshold are being used to support the 2017/18 budget and beyond.

90. CIPFA guidance provides guidance for determining the minimum level of Reserves. The Council uses the method based on risk assessment. The approach to the risk assessment of Reserves has taken into account CIPFA guidance (LAAP 99) (Guidance note on Local Authority Reserves and Balances).

91. The table below shows the financial risk assessment made for **2017/18** :

Activity Area	Explanation of Risk / Justification of Balances	Severity of Risk	2017/18 Reserve Amounts £	2016/17 Reserve Amounts £	Change £
Friarsgate	Friarsgate	Material	£128,000	£70,000	£58,000
IT Systems are no longer fit for Purpose	Capital Programme	Material	£91,000	£36,000	£55,000
Savings Targets	Savings Targets are not Achieved	Material	£42,000	£0	£42,000
Business Rates	Business Rates	Severe	£652,000	£525,000	£127,000
High Risk Streams of Income including Fees and Charges	Reduction in customer income	Material	£190,000	£234,000	(£44,000)
Inflation Assumptions	Higher inflation	Material	£242,930	£269,250	(£26,320)
Demand Led Services	Increase in demand led services	Material	£50,000	£0	£50,000
Collection of Income Performance	Collection performance	Material	£154,000	£160,000	(£6,000)
Civil Contingency	Civil Contingency	Tolerable	£127,000	£127,000	£0
Other	Other small risks	Tolerable	£23,070	(£21,250)	£44,320
Total Minimum Reserves			**£1,700,000**	**£1,400,000**	**£300,000**



Other Reserves (in addition to General Reserves)

92. A review of the level of Earmarked Reserves has been undertaken as part of the annual Budget preparation. For each Reserve established, the purpose, usage and basis of transactions has been identified with Balance Sheet projections are shown overleaf.

Usable Reserve	Reason for the Reserve	2016/17 Budget £000s	2017/18 Budget £000s	2018/19 Budget £000s	2019/20 Budget £000s	2020/21 Budget £000s
Revenue						
Earmarked Reserves	To finance specific capital and revenue projects	(2,871)	(2,775)	(2,654)	(2,523)	(2,335)
Grant Aid	To provide assistance to Historic Buildings, Nature Conservation and Biodiversity projects	(20)	(20)	(20)	(20)	(20)
Elections		(129)	(129)	(129)	(129)	(129)
Public Open Spaces	To fund the cost of equipment in public open spaces	(447)	(447)	(447)	(447)	(447)
Building Regulations	To manage the risks related to the Building Control Function	(146)	(146)	(146)	(146)	(146)
Capital						
Three Spires Multi Storey	Future capital works to the car park.	(1,866)	(2,016)	(2,166)	(466)	(466)
Capital Grants Unapplied	The Capital grants reserve is to meet specific capital grant expenditure in future years	(1,184)	(56)	(56)	(55)	(40)
Capital Receipts Reserve	The usable capital receipts reserve represents capital receipts available to finance capital expenditure in future years in accordance with best practice	(1,829)	(2,284)	(1,476)	(579)	(500)
Sinking Funds	These have been setup for Burntwood Leisure Centre and synthetic pitches	(286)	(116)	(74)	(71)	(71)
Total		**(£8,778)**	**(£7,988)**	**(£7,167)**	**(£4,435)**	**(£4,154)**

93. Ongoing review of Earmarked Reserves will take place as part of the Money Matters Reports to ensure we are only holding funds for known and essential purposes.

94. The Council also holds other Unusable Reserves that arise out of the interaction of legislation and proper accounting practice and the Balance Sheet projections are shown in the table below :

Unusable Reserve	Reason for the Reserve	2016/17 Budget £000s	2017/18 Budget £000s	2018/19 Budget £000s	2019/20 Budget £000s	2020/21 Budget £000s
Revaluation Reserve	This is a reserve that records unrealised gains in the value of non-current assets	(6,491)	(6,491)	(6,491)	(6,491)	(6,491)
Capital Adjustment Account	This provides a balancing mechanism between the different rates at which assets are depreciated under the Statement of Recommended practice(SORP) and are refinanced through the capital control system	(34,862)	(36,468)	(36,165)	(37,804)	(37,381)
Deferred Credits	This item consists of principal outstanding on the sale of council houses properties sold on a mortgage.	(47)	(47)	(47)	(47)	(47)
Pension Scheme	This is a specific accounting mechanism used to reconcile the payments made for the year to various statutory pension schemes in accordance with the scheme requirements and the net change in the authority's recognised liability under IAS19 (FRS 17).	35,820	35,820	35,820	35,820	35,820
Benefits Payable During Employment	This is a specific accounting mechanism used to reconcile employee benefits (accrued holiday entitlements) under IAS 19	213	213	213	213	213
Collection Fund	This is requires under the Statement of Recommended practice (SORP) for Council Tax & Non Domestic rates accrued income.	829	0	0	0	0
Total		**(£4,538)**	**(£6,973)**	**(£6,670)**	**(£8,309)**	**(£7,886)**

The **CFO** has been involved throughout the entire budget process, including revising the MTFS, input to the drafting of the budget, the ongoing financial monitoring and reporting process, evaluation of investments and savings, engagement with Members of the Cabinet and Overview and Scrutiny Committees, advising colleagues, the strategic choices activities, challenge and evaluation activities, and scrutiny of the budget. The following sections of this statement outline particular activities and documents.

Process - a robust budget process has been used within the overall context of the MTFS.
Timetable - the process started in June 2016 and the draft budget was completed in December 2016 prior to the Provisional Financial Settlement for Local Government 2017/18. This enabled formal scrutiny of the budget making process in January 2017. The final budget is due to be set at Council on 21 February 2017, well within the statutory deadline.[3]
Member involvement and Scrutiny (including budget monitoring) - formal Member involvement has been extensive, particularly through the Cabinet in conjunction with Leadership Team and Strategic Overview & Scrutiny Committee, which has fed upwards to Cabinet.
Consultation - In summer 2014, we carried out a survey '*Your View*' to find out what people who live in the District think about the services we provide.
Challenge - there are various points of challenge at various stages of the Budget, meetings of Leadership Team, various Service Management Teams, Cabinet and the Scrutiny process itself.
Localism Act - Right to approve or veto excessive Council Tax rises - The Secretary of State has determined a **2%** or **£5.00** (whichever is the higher) limit for Council Tax increases for 2017/18. If an Authority proposes to raise taxes above the limit they will have to hold a referendum to get approval for this from the local voters who will be asked to approve or veto the rises.
Ownership and accountability - the budget has progressed through various stages including review by management within services and Leadership Team. Budget holders were sent copies of budget estimate working papers for their respective areas of service responsibility.
Current financial position - the budget is a statement of financial intent, reflecting The Council's vision, plans and priorities. It also sets the financial spending parameters for each financial year and as such, the CFO assessment of the adequacy of Reserves, also includes the risk of services overspending and/or under-spending their budgets and the impact of this on the financial health of The Council and its level of Reserves. The current financial position has been reported throughout the year.
Key assumptions - The pay and prices used in the budget are derived from current intelligence, are considered appropriate and compare with those used by other Councils. Fees and charges have been reviewed and changes are reflected in the overall budget. The Capital Receipts to be used for the Capital Programme are based on estimates of both timing and value.
Financial risks – The Council continues to use an embedded good practice Risk Assessment approach both when setting the Budget and in validating estimated outturns. This continues for the 2016/17 outturn and 2017/18 plus Budget. The minimum level of General Reserves is considered to be adequate to cover all but the most unusual and serious combination of risks.

Summary - Opinion of CFO on the Adequacy of Reserves and the Robustness of the Estimates

I am of the opinion that for a Council of this size and with our recent record of prudent spending, effective Risk Management, robust budgeting and effective Budget monitoring and control, a General Minimum Reserve level of **£1,700,000** is adequate.

[3] Statutory deadline date for setting Council Tax is by 11 March 2017.

Balance Sheet Projections 2017-21

(Figures may not sum due to rounding)

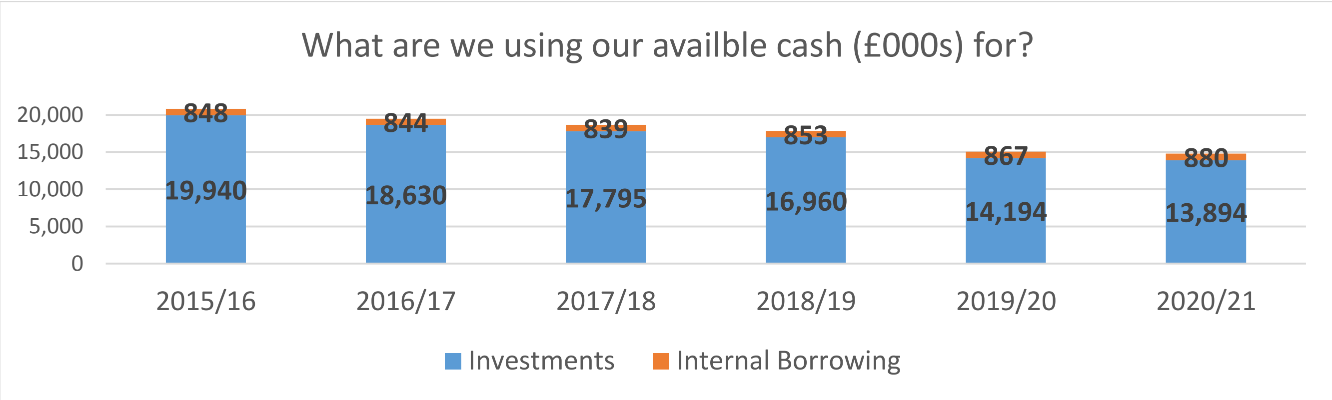
	Type	2015/16 Actual £000s	2016/17 Budget £000s	2017/18 Budget £000s	2018/19 Budget £000s	2019/20 Budget £000s	2020/21 Budget £000s
Property, Plant and Equipment	CFR	41,635	41,820	42,920	42,100	43,343	42,366
Heritage Assets	CFR	515	515	515	515	515	515
Investment Property	CFR	5,572	5,572	3,775	3,775	3,775	3,775
Intangible Assets	CFR	119	49	49	49	49	49
Assets Held for Sale	CFR	80	0	0	0	0	0
Investments	INV	19,940	18,630	17,794	16,959	14,194	13,894
Borrowing	BOR	(1,492)	(1,415)	(1,338)	(1,277)	(1,216)	(1,155)
Finance Leases	LEA	(2,323)	(2,547)	(2,123)	(1,653)	(1,304)	(798)
Working Capital	CRED	(7,174)	(7,102)	(6,688)	(6,688)	(6,667)	(6,662)
Pensions	PEN	(35,820)	(35,820)	(35,820)	(35,820)	(35,820)	(35,820)
TOTAL ASSETS LESS LIABILITIES		**£21,051**	**£19,701**	**£19,084**	**£17,960**	**£16,867**	**£16,163**

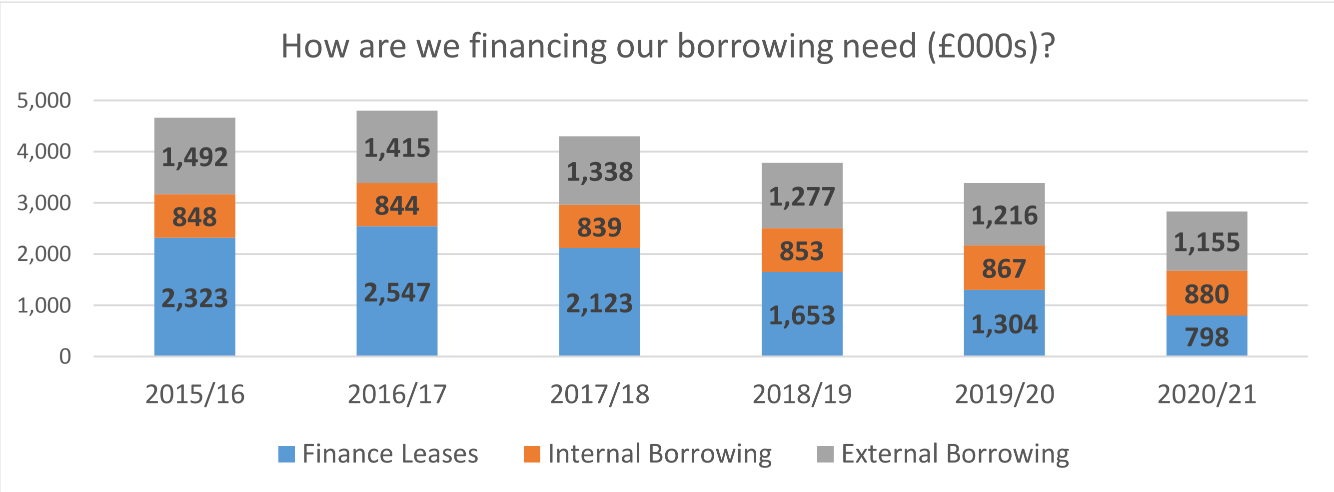
Unusable Reserves							
Revaluation Reserve	CFR	(6,571)	(6,491)	(6,491)	(6,491)	(6,491)	(6,491)
Capital Adjustment Account	CFR	(36,687)	(36,659)	(36,468)	(36,165)	(37,804)	(37,381)
Deferred Credits	CRED	(47)	(47)	(47)	(47)	(47)	(47)
Pension Scheme	PEN	35,820	35,820	35,820	35,820	35,820	35,820
Benefits Payable During Employment Adjustment Account	CRED	213	213	213	213	213	213
Collection Fund	BAL	46	829	0	0	0	0
Usable Reserves							
Unapplied Grants and Contributions - General	BAL	(759)	(734)	(4)	(4)	(4)	(4)
Unapplied Grants and Contributions - Cannock Chase	BAL	(20)	(20)	(20)	(20)	(20)	(20)
Unapplied Grants and Contributions - Section 106	BAL	(465)	(430)	(31)	(31)	(30)	(15)
Unapplied Grants and Contributions - Revenue	BAL	0	0	0	0	0	0
Usable Capital Receipts	BAL	(2,094)	(1,695)	(2,150)	(1,342)	(445)	(366)
Usable Capital Receipts - Arts Statue	BAL	(134)	(134)	(134)	(134)	(134)	(134)
Burntwood Leisure Centre Sinking Fund	BAL	(345)	(215)	(45)	(3)	0	0
Burntwood Leisure Centre Synthetic Pitch Sinking Fund	BAL	(29)	(29)	(29)	(29)	(29)	(29)
City Centre Redevelopment Sinking Fund	BAL	(25)	(25)	(25)	(25)	(25)	(25)
King Edwards Leisure Centre Sinking Fund	BAL	(17)	(17)	(17)	(17)	(17)	(17)
Lombard Street Car Park Sinking Fund	BAL	0	0	0	0	0	0
Elections	BAL	(129)	(129)	(129)	(129)	(129)	(129)
Promotion of District	BAL	0	0	0	0	0	0
Public Open Spaces	BAL	(447)	(447)	(447)	(447)	(447)	(447)
Three Spires Multi Storey	BAL	(1,716)	(1,866)	(2,016)	(2,166)	(466)	(466)
Building Regulations	BAL	(146)	(146)	(146)	(146)	(146)	(146)
Other Earmarked Reserves	BAL	(3,199)	(2,871)	(2,775)	(2,654)	(2,523)	(2,335)
Grant Aid - Development	BAL	(20)	(20)	(20)	(20)	(20)	(20)
Depot Sinking Fund	BAL	0	0	0	0	0	0
General Fund Balance	BAL	(4,279)	(4,587)	(4,123)	(4,123)	(4,123)	(4,123)
TOTAL EQUITY		**(£21,051)**	**(£19,701)**	**(£19,084)**	**(£17,960)**	**(£16,867)**	**(£16,163)**

Borrowing Requirement and Strategy

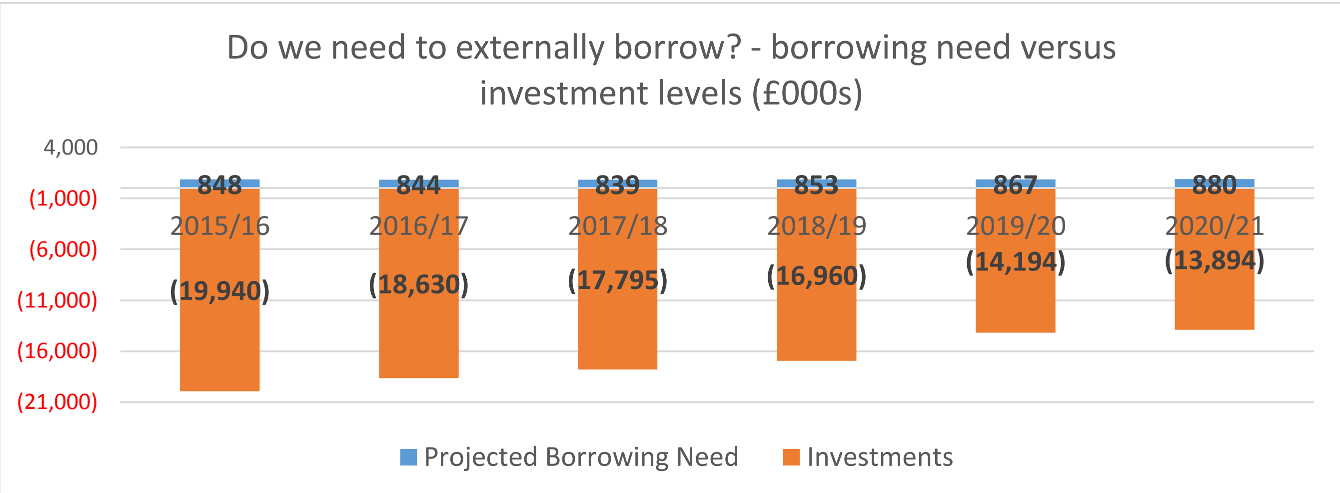
We finance our capital spend from a variety of sources including capital receipts, revenue and grants and contributions. Any capital spend we do not fund from these sources increases our underlying need to borrow for capital purposes (the Capital Financing Requirement (CFR)).

The Capital Financing Requirement together with the level of our Balances and Reserves (B&R) are the core drivers of Treasury Management Activity. A summary of our Balance Sheet Projections detailed on the previous page showing key elements including Capital Financing Requirement, External Debt including Finance Leases and Investments is provided in the charts below:





We can use the capital financing related elements of these projections to assess when The Council would need to borrow to fund its Capital Programme, and these estimates are shown in the chart below:



Minimum Revenue Provision Statement 2017/18

The level of our Capital Financing Requirement measures our underlying need to borrow for a capital purpose. To ensure that this expenditure will ultimately be financed, we are required to make a Minimum Revenue Provision for Debt Redemption (MRP) from within the Revenue budget each year. Capital Expenditure that is not financed from capital receipts, revenue or grants and contributions will increase the Capital Financing Requirement and this will in turn produce an increased requirement to charge Minimum Revenue Provision in the Revenue Account.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (Statutory Instrument 2008/414) place a duty on local authorities to make a prudent provision for debt redemption. The Secretary of State has issued guidance on Minimum Revenue Provision and local authorities are required to "have regard" to such Guidance under Section 21(1A) of the Local Government Act 2003.

The four Minimum Revenue Provision options available are:

Option 1 : Regulatory Method

Option 2 : Capital Financing Requirement Method

Option 3 : Asset Life Method

Option 4 : Depreciation Method

The changes due to the 2009 Statement of Recommended Practice and International Financial Reporting Standards have resulted in new assets and leases being brought onto the Balance Sheet. Therefore, the Capital Financing Requirement has increased, and has led to an increase in the Minimum Revenue Provision charge to revenue. Minimum Revenue Provision for these items will match the annual principal repayment for the associated deferred liability.

Minimum Revenue Provision in 2017/18: Options 1 and 2 may be used only for supported expenditure (where Government provides financial support to offset the borrowing costs through the RSG mechanism). Methods of making prudent provision for self-financed expenditure include Options 3 and 4 (which may also be used for supported expenditure if The Council chooses).

The Minimum Revenue Provision Statement will be submitted to Council before the start of the 2017/18 financial year. If it is ever proposed to vary the terms of the original Minimum Revenue Provision Statement during the year, a Revised Statement should be put to Council at that time.

In relation to Minimum Revenue Provision, the Council will:

- **Apply option 3 in respect of supported and unsupported Capital Expenditure.**
- **Match the annual principal repayment for the associated Finance Lease liability for leases included on the Balance Sheet.**

Treasury Management

Introduction and Background

In February 2003 the Council adopted the CIPFA Treasury Management in the Public Services: Code of Practice (the CIPFA Code), which requires the Council to approve a treasury management strategy before the start of each financial year.

In addition, the Department of Communities and Local Government (CLG) issued revised guidance in Local Authority Investments in March 2010 that requires the Council to approve an investment strategy before the start of the financial year.

This report fulfils the legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Guidance.

The Council has invested substantial sums of money and is therefore expose to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.

Accordingly, The Council will create and maintain, as the cornerstones for effective treasury management:

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities.
- Suitable treasury management practices (TMPs), setting out the manner in which The Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

The Council (ie full Council) will receive reports on its Treasury Management policies, practices and activities including, as a minimum, an annual strategy and plan in advance of the year (this report), in year reviews and an annual report after its close, in the form prescribed in its Treasury Management Practices.

The Council delegates responsibility for the implementation and monitoring of its Treasury Management policies and practices to Cabinet and for the execution and administration of treasury management decisions to the Chief Finance Officer, who will act in accordance with the organisation's policy statement and Treasury Management Practices and CIPFA Standard of Professional Practice on Treasury Management. The Council nominates the Strategic (Overview and Scrutiny) Committee be responsible for ensuring effective scrutiny of the Treasury Management strategy and policies.

Policies and Objectives of Treasury Management Activities

The Council defines its treasury management activities as:

"The management of the Council's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

The Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks.

The Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable performance measurement.

The Council currently does not plan to borrow to fund its capital expenditure. However, should this situation change and The Council approve borrowing for a capital purpose, The Council's borrowing will be affordable, sustainable and prudent and consideration will be given to the management of interest rate risk and refinancing risk. The source from which the borrowing is taken and the type of borrowing should allow The Council transparency and control over its debt. **The Council's primary objective in relation to investments remains the security of capital**. The Council's objective to investing money is to strike an appropriate balance between risk and return, minimizing the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Detailed Cash flow for 2017/18 (figures may not sum due to rounding)

	2017/18 (£m)												
Detail	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Total**
Income													
Council Tax Collected	-£6.19	-£5.96	-£5.63	-£5.77	-£5.75	-£5.77	-£5.81	-£5.80	-£5.76	-£5.48	-£0.70	-£0.75	**-£59.39**
Business Rates Collected	-£3.19	-£4.15	-£3.11	-£3.27	-£4.32	-£3.15	-£3.08	-£3.09	-£2.95	-£2.87	-£0.74	-£0.57	**-£34.48**
Rent Allowance Grant	-£1.69	-£1.69	-£1.69	-£1.69	-£1.69	-£1.69	-£1.69	-£1.69	-£1.69	-£1.69	-£1.69	-£1.69	**-£20.22**
New Homes Bonus	-£0.12	-£0.12	-£0.12	-£0.12	-£0.12	-£0.12	-£0.12	-£0.12	-£0.12	-£0.12	-£0.12	-£0.12	**-£1.42**
Net Revenue Income	£0.23	£0.07	£0.07	£0.07	£0.07	£0.10	£0.12	£0.07	£0.07	£0.07	£0.07	£0.07	**£1.12**
Revenue Support Grant	-£0.14	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	-£0.08	-£0.02	**-£0.24**
Capital Income	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	-£0.03	**-£0.33**
New Borrowing	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	£0.00	**£0.00**
Spend													
Capital Programme	£0.44	£0.44	£0.44	£0.44	£0.44	£0.44	£0.44	£0.44	£0.44	£0.44	£0.44	£0.44	**£5.33**
Other Spend	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04	£0.04	**£0.50**
Rent Allowance Payments	£1.62	£1.54	£1.56	£1.78	£1.55	£1.60	£1.55	£1.55	£2.75	£1.55	£1.55	£1.62	**£20.22**
Employees	£0.98	£0.98	£0.98	£0.98	£0.98	£0.98	£0.98	£0.98	£0.98	£0.98	£0.98	£0.98	**£11.76**
Business Rate Payments	£2.54	£3.12	£2.83	£2.83	£2.66	£2.66	£2.66	£2.66	£2.66	£2.66	£2.66	£2.66	**£32.58**
Cash Flow	£0.03	-£1.43	-£0.33	-£0.42	-£1.84	-£0.30	-£0.61	-£0.66	£0.72	-£0.12	£6.70	£6.96	**£8.71**
Average Level of Investments	£22.88	£23.58	£24.47	£24.84	£25.97	£27.04	£27.49	£28.12	£28.09	£27.79	£24.50	£17.67	

Investment Income and Borrowing Cost Budgets for 2017/18

Based on the cash flow forecast above and the revenue implications of the Capital Programme, the budgeted overall net Treasury position is shown in the table below:

Details	**2017/18 Budget**
Average amount we have available to invest (£m)	23.88
Average Interest Rate (**%**)	0.65%
Interest Receipts	(118,000)
Internal Interest Payments, car loan interest and other costs	3,500
External Borrowing Interest	35,900
Minimum Revenue Provision	62,900
Net Treasury Position	**(15,700)**

In terms of interest receipts, there are two key risks/sensitivities:

a) The interest rate receivable.
b) The amount of money we have available to invest.

What if:

Interest Rates Change	**We have more cash available to invest £000**				
	+£1m	**+£2m**	**+£3m**	**+£4m**	**+£5m**
Current Estimate	123	128	133	138	143
+0.50%	247	257	267	277	278

Borrowing Strategy

Balance Sheet projections show that the Authority will have total external borrowing at 31 March 2017 of **£1.415m**. The authority does not expect to externally borrow in 2017/18.

Objectives: The Authority's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Authority's long-term plans change is a secondary objective.

Strategy: Given the significant cuts to public expenditure and in particular to local government funding, the Authority's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. With short-term interest rates currently much lower than long-term rates, it is likely to be more cost effective in the short-term to either use internal resources, or to borrow short-term loans instead.

By doing so, the Authority is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose will assist the Authority with this 'cost of carry' and breakeven analysis. Its output may determine whether the Authority borrows additional sums at long-term fixed rates in 2017/18 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

In addition, the Authority may borrow short-term loans (normally for up to one month) to cover unexpected cash flow shortages. The approved sources of long-term and short-term borrowing are:

- Public Works Loan Board (PWLB) and any successor body
- any institution approved for investments (see below)
- any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except Staffordshire County Council Pension Fund)
- capital market bond investors
- Local Capital Finance Company and other special purpose companies created to enable local authority bond issues
- Salix.

In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- operating and finance leases and hire purchase
- sale and leaseback

The Authority plans to raise its long-term borrowing from the PWLB but it continues to investigate other sources of finance, such as local authority loans, that may be available at more favourable rates.

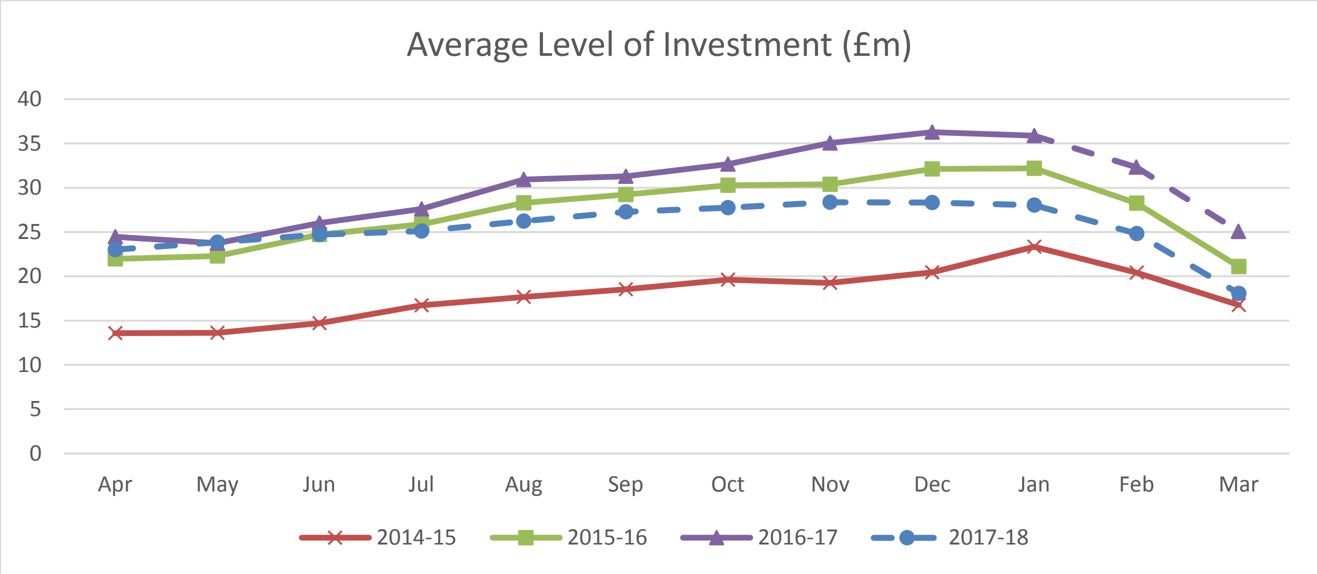
LGA Bond Agency: the UK Municipal Bonds Agency Plc was established in 2014 by the Local Government Association as an alternative to the PWLB. It plans to issue bonds on the capital markets and lend the proceeds to local authorities. This will be a more complicated source of finance than the PWLB for three reasons: borrowing authorities may be required to provide bond investors with a joint and several guarantee over the very small risk that other local authority borrowers default on their loans; there will be a lead time of several months between committing to borrow and knowing the interest rate payable. Any decision to borrow from the Agency will therefore be the subject of a separate report to Full Council.

Short-term and Variable Rate loans: These loans leave the Authority exposed to the risk of short-term interest rate rises and are therefore subject to the limit on the net exposure to variable interest rates in the treasury management indicators below.

Investment Strategy

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In 2016/17, the Authority's investment balance is projected to range between **£23m** and **£36m**, and the projected levels for 2017/18 range from **£18m** to **£28m**.

The graph below shows the actual trend of average investment levels in 2014/15, 2015/16 and 2016/17 together with projected levels for 2017/18. The level of our investments is reducing due to the use of reserves to support our Revenue Budget together with the funding of our Capital Programme.



Objectives: Both the CIPFA Code and the CLG Guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk receiving unsuitably low investment income.

Strategy: Given the increasing risk and continued low returns from short-term unsecured bank investments, the Authority aims to diversify into more secure and/or higher yielding asset classes during 2017/18. This is especially the case for the estimated **£5m** that is available for longer-term investment. The majority of the Authorities surplus cash is currently invested in short-term unsecured bank deposits, certificates of deposit and money market funds.

This diversification will therefore represent a substantial change in strategy over the coming year.

Approved Counterparties: The Authority may invest its surplus funds with any of the counterparty types in Table 1 below, subject to the cash limits (per counterparty) and the time limits shown.

Table 1: Approved Investment Counterparties and Limits

Credit Rating	Banks Unsecured	Banks Secured	Government	Corporates	Registered Providers
UK Government	n/a	n/a	£ Unlimited 50 years	n/a	n/a
AAA	£1m 5 years	£1m 20 years	£2m 50 years	£1m 20 years	£1m 20 years
AA+	£1m 5 years	£1m 10 years	£2m 25 years	£1m 10 years	£1m 10 years
AA	£1m 4 years	£1m 5 years	£2m 15 years	£1m 5 years	£1m 10 years
AA-	£1m 3 years	£1m 4 years	£2m 10 years	£1m 4 years	£1m 10 years
A+	£1m 2 years	£1m 3 years	£2m 5 years	£1m 3 years	£1m 5 years
A	£1m 13 months	£1m 2 years	£2m 5 years	£1m 2 years	£1m 5 years
A-	£1m 6 months	£1m 13 months	£2m 5 years	£1m 13 months	£1m 5 years
BBB+	£0.5m 100 days	£1m 6 months	£2m 2 years	£0.5m 6 months	£0.5m 2 years
BBB	£0.5m next day only	£1m 100 days	n/a	n/a	n/a
None	£0.5m 6 months	n/a	£2m 25 years	£50,000 5 years	£0.5m 5 years
Pooled funds	£2m per fund				

Credit Rating: Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody's or Standard & Poor's. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used.

Banks Unsecured: Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. **These investments are subject to the risk of credit loss via a Bail-In should the regulator determine that the bank is failing or likely to fail**.

Banks Unsecured – the Council's Bank - Unsecured investment at the Authority's current account bank with the National Westminster Bank is restricted to overnight deposits.

Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised arrangements with banks and building societies. These investments are secured on the bank's assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from Bail-In. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.

Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to Bail-In, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Corporates: Loans, bonds and commercial paper issued by companies other than banks and registered providers. These investments are not subject to Bail-In, but are exposed to the risk of the company going insolvent. Loans to unrated companies will only be made as part of a diversified pool in order to spread the risk widely.

Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.

Pooled Funds: Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Short term Money Market Funds that offer same-day liquidity and very low or no volatility be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Authority's investment objectives will be monitored regularly.

Risk Assessment and Credit Ratings: Credit ratings are obtained and monitored by the Authority's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- No new investments will be made,
- Any existing investments that can be recalled or sold at no cost will be, and
- Full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "rating watch negative" or "credit watch negative") so that it may fall below the approved rating criteria, then only investments that can be withdrawn as soon as possible after the change will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel rather than an imminent change of rating.

Other Information on the Security of Investments: The Authority understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations, in which it invests, including credit default swap prices, financial statements, information on potential government support and reports in the quality financial press. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008 and 2011, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Authority will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Authority's cash balances, then the surplus will be deposited with the UK Government, via the Debt Management Office or invested in government treasury bills for example, or with other local authorities. This will cause a reduction in the level of investment income earned, but will protect the principal sum invested.

Specified Investments: The CLG Guidance defines specified investments as those:

- denominated in pound sterling,
- due to be repaid within 12 months of arrangement,
- not defined as capital expenditure by legislation, and
- invested with one of:
    - the UK Government,
    - a UK local authority, parish council or community council, or
    - a body or investment scheme of "high credit quality".

The Authority defines "high credit quality" organisations and securities as those having a credit rating of **[A-]** or higher that are domiciled in the UK or a foreign country with a sovereign rating of **[AA+]** or higher. For money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of **[A-]** or higher.

Non-specified Investments: Any investment not meeting the definition of a specified investment is classed as non-specified. The Authority does not intend to make any investments denominated in foreign currencies, nor any that are defined as capital expenditure by legislation, such as company shares. Non-specified investments will therefore be limited to long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement, and investments with bodies and schemes not meeting the definition on high credit quality. Limits on non-specified investments are shown in Table 2 below.

Table 2 : Non-Specified Investment Limits (recommended changes are in bold)

	Approved limit	**Recommended Limit**
Total long-term investments	**£2.5m**	**£6m**
Total investments without credit ratings or rated below **[A-]**	£5m	**£8m**
Total investments with institutions **(except pooled funds)** domiciled in foreign countries rated below **[AA+]**	£1m	£1m
Total non-specified investments	**£8.5m**	**£15m**

Investment Limits: The Authority's revenue reserves available to cover investment losses (excluding capital grants and contributions, capital receipts and the multi storey reserve) are forecast to be between **£7.71m** and **£8.27m** during 2017/18. In order that no more than **20%** of available reserves will be put at risk in the case of a single default, the maximum that will be lent to any one organisation (other than the UK Government and other UK Local Authorities) will be **£1m**. A group of banks under the same ownership will be treated as a single organisation for limit purposes. Limits will also be placed on fund managers, investments in brokers' nominee accounts, foreign countries and industry sectors as below (investments in pooled funds and multilateral development banks do not count against the limit for any single foreign country, since the risk is diversified over many countries):

Table 3 : Investment Limits (recommended changes are in bold)

	Approved limit	Recommended Limit
Any single organisation, except the UK Central Government **and UK Local Authorities**	£1m each	£1m each
UK Central Government	unlimited	unlimited
UK Local Authorities	£2m each	£2m each
Any group of organisations under the same ownership	£1m per group	£1m per group
Any group of pooled funds under the same management	£4m per manager	£4m per manager
Negotiable instruments held in a broker's nominee account	£12m per broker	£12m per broker
Foreign countries	£2m per country	£2m per country
Registered Providers	£5m in total	£5m in total
Unsecured investments with Building Societies	£2m in total	£2m in total
Loans to unrated corporates	£2m in total	£2m in total
Money Market Funds	£12m in total	£12m in total

Liquidity Management: The Authority uses excel for cash flow forecasting to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a pessimistic basis, with receipts under-estimated and payments over-estimated to minimise the risk of the Authority being forced to borrow on unfavourable terms to meet its financial commitments. Limits on long-term investments are set by reference to the Authority's MTFS and cash flow forecast.

Treasury Management Strategy

The CLG Guidance and the CIPFA Code do not prescribe any particular treasury management strategy for local authorities to adopt. The CFO, having consulted the Cabinet Member for Finance and Democracy, believes that the above strategy represents an appropriate balance between risk management and cost effectiveness.

Other Items

There are a number of additional items that the Authority is obliged by CIPFA or CLG to include in its Treasury Management Strategy.

Policy on Use of Financial Derivatives: Local authorities have previously made use of financial derivatives embedded into loans and investments both to reduce interest rate risk (e.g. interest rate collars and forward deals) and to reduce costs or increase income at the expense of greater risk (e.g. Lenders Option Borrowers

Option (LOBO) loans and callable deposits). The general power of competence in Section 1 of the *Localism Act 2011* removes much of the uncertainty over local authorities' use of standalone financial derivatives (i.e. those that are not embedded into a loan or investment).

The Authority will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and the relevant foreign country limit.

Investment Training: The needs of the Authority’s treasury management staff for training in investment management are assessed every six months as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.

Staff regularly attend training courses, seminars and conferences provided by Arlingclose and CIPFA.

Investment Advisers: The Authority has appointed Arlingclose Limited as treasury management advisers and receives specific advice on investment, debt and capital finance issues. The quality of this service is controlled by the specification related to the procurement and regular contact with the Adviser.

Investment of Money Borrowed in Advance of Need: The Authority may, from time to time, borrow in advance of need, where this is expected to provide the best long term value for money. Since amounts borrowed will be invested until spent, the Authority is aware that it will be exposed to the risk of loss of the borrowed sums, and the risk that investment and borrowing interest rates may change in the intervening period. These risks will be managed as part of the Authority’s overall management of its treasury risks.

The total amount borrowed will not exceed the authorised borrowing limit of **£10.844m** in 2017/18. The maximum period between borrowing and expenditure is expected to be **two** years, although the Authority is not required to link particular loans with particular items of expenditure.

Prudential Indicators 2016-21

1. **Background:**

There is a requirement under the Local Government Act 2003 for Local Authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators.

2. **Gross Borrowing and the Capital Financing Requirement:**

This is a key indicator of prudence. In order to ensure that over the medium term gross borrowing will only be for a capital purpose, the Local Authority should ensure that the gross external borrowing does not, except in the short term, exceed the total of Capital Financing Requirement in the preceding year plus the estimates of any additional Capital Financing Requirement for the current and next two financial years.

The Chief Financial Officer reports that the Authority had no difficulty meeting this requirement in 2016/17, and there are no difficulties envisaged for future years. This view takes into account current commitments, existing plans and the proposals in the approved budget.

3. **Estimates of Capital Expenditure:** This indicator is set to ensure that the level of proposed Capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax.

No. 1 **Capital Financing**	**2016/17** **Original** **£m**	**2016/17** **Approved** **£m**	**2016/17** **Revised** **£m**	**2017/18** **Original** **£m**	**2018/19** **Original** **£m**	**2019/20** **Original** **£m**	**2020/21** **Original** **£m**
Non-Current Assets	5.058	5.941	1.885	2.800	0.880	2.943	0.723
Revenue Expenditure funded from Capital under Statute	2.447	1.351	1.040	2.532	0.980	1.280	0.875
Total	**£7.505**	**£7.292**	**£2.925**	**£5.332**	**£1.860**	**£4.223**	**£1.598**

No. 1 **Capital Financing**	**2016/17** **Original** **£m**	**2016/17** **Approved** **£m**	**2016/17** **Revised** **£m**	**2017/18** **Original** **£m**	**2018/19** **Original** **£m**	**2019/20** **Original** **£m**	**2020/21** **Original** **£m**
Capital Receipts	2.026	2.033	0.705	1.070	0.808	0.897	0.078
Burntwood Sinking Fund	0.242	0.095	0.130	0.170	0.042	0.003	0.000
Other Sinking Funds	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Capital Grants and Contributions	3.901	2.858	0.835	3.768	0.705	1.153	1.153
Earmarked Reserves	0.693	0.768	0.329	0.096	0.121	1.831	0.188
Revenue Contributions	0.154	0.177	0.182	0.154	0.154	0.154	0.154
Finance Leases, Invest to Save and Borrowing	0.489	1.361	0.745	0.075	0.030	0.185	0.025
Total	**£7.505**	**£7.292**	**£2.925**	**£5.332**	**£1.860**	**£4.223**	**£1.598**

Note: The element to be financed from borrowing, Invest to Save and finance leases impacts on the movement in the Capital Financing Requirement.

4. **Ratio of Financing Costs to Net Revenue Stream:**

4.1 This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet borrowing costs. The definition of financing costs is set out in the Prudential Code.

4.2 The ratio is based on costs net of investment income (where investment income exceeds the costs of borrowing, the indicator will be negative).

No. 2 **Ratio of Financing Costs** **to Net Revenue Stream**	**2016/17** **Original** **%**	**2016/17** **Approved** **%**	**2016/17** **Revised** **%**	**2017/18** **Original** **%**	**2018/19** **Original** **%**	**2019/20** **Original** **%**	**2020/21** **Original** **%**
%	**6%**	**5%**	**5%**	**5%**	**5%**	**6%**	**5%**

5. Capital Financing Requirement:

5.1 The Capital Financing Requirement (CFR) measures The Council's underlying need to borrow for a capital purpose. The calculation of the Capital Financing Requirement is taken from the amounts held in the Balance Sheet relating to capital expenditure and it's financing. It is an aggregation of the amounts shown for Non-Current Assets, the Revaluation Reserve, the Capital Adjustment Account and any other balances treated as capital expenditure.

No. 3 **Capital Financing Requirement**	**2016/17** **Original** **£m**	**2016/17** **Approved** **£m**	**2016/17** **Revised** **£m**	**2017/18** **Original** **£m**	**2018/19** **Original** **£m**	**2019/20** **Original** **£m**	**2020/21** **Original** **£m**
Balance Brought Forward	5.448	4.663	4.663	4.806	4.300	3.783	3.387
Capital Expenditure financed from borrowing and Invest to Save	0.489	1.361	0.745	0.075	0.030	0.185	0.025
Minimum Revenue Provision	(0.654)	(0.602)	(0.602)	(0.581)	(0.547)	(0.581)	(0.579)
Balance Carried Forward	**£5.283**	**£5.422**	**£4.806**	**£4.300**	**£3.783**	**£3.387**	**£2.833**

6. Actual External Debt:

6.1 This indicator is obtained directly from The Council's Balance Sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

6.2 Net external borrowing does not exceed the CFR in any of the financial years 2016/17, 2017/18, 2018/19, 2019/20 and 2020/21.

No. 4	**31-03-16** **Actual** **£m**	**2016/17** **Revised** **£m**	**2017/18** **Original** **£m**	**2018/19** **Original** **£m**	**2019/20** **Original** **£m**	**2020/21** **Original** **£m**
Long Term Borrowing	1.415	1.339	1.278	1.217	1.156	1.095
Short Term Element of LT Borrowing	0.077	0.076	0.060	0.060	0.060	0.060
Short Term Element of LT Liabilities	0.415	0.521	0.499	0.500	0.534	0.531
Other Long Term Liabilities	1.908	2.026	1.624	1.153	0.770	0.267
Total	**£3.815**	**£3.962**	**£3.461**	**£2.930**	**£2.520**	**£1.953**

7. Incremental Impact of Capital Investment Decisions:

7.1 This is an indicator of affordability that shows the impact of Capital investment decisions on Council Tax levels. The incremental impact is calculated by comparing the total Revenue Budget requirement of the current approved Capital Programme with an equivalent calculation of the Revenue Budget requirement arising from the proposed Capital Programme (**APPENDIX C**).

No.5 **Incremental Impact of Capital investment Decisions**	**2016/17** **Original** **£m**	**2016/17** **Approved** **£m**	**2016/17** **Revised** **£m**	**2017/18** **Original** **£m**	**2018/19** **Original** **£m**	**2019/20** **Original** **£m**	**2020/21** **Original** **£m**
Band D Equivalent	**£3.77**	**£2.29**	**(£0.12)**	**(£0.21)**	**(£0.91)**	**(£0.83)**	**(£1.64)**

7.2 The estimate of procurements made by Finance Leases which are included in the Capital Programme mainly for the replacement of current assets is shown in the table below:

	2016/17 **Original** **£m**	**2016/17** **Approved** **£m**	**2016/17** **Revised** **£m**	**2017/18** **Original** **£m**	**2018/19** **Original** **£m**	**2019/20** **Original** **£m**	**2020/21** **Original** **£m**
New Vehicle and Plant Procurements	£0.422	£1.247	£0.745	£0.030	£0.185	£0.025	£0.075

8. Authorised Limit and Operational Boundary for External Debt:

8.1 The Council has an integrated Treasury Management strategy and manages its treasury position in accordance with its approved strategy and practice. Overall borrowing will therefore arise as a consequence of all the financial transactions of the Council and not just those arising from capital spending reflected in the Capital Financing Requirement.

8.2 The **Authorised Limit** sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external-borrowing items on the Balance Sheet (i.e. long and short-term borrowing, overdrawn bank balances and long-term liabilities. This Prudential Indicator separately identifies borrowing from other long-term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing and its approved Treasury Management Policy statement and practices.

8.3 The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

8.4 The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit):

No. 6 **Authorised Limit for External Debt**	**2016/17 Original £m**	**2016/17 Approved £m**	**2016/17 Revised £m**	**2017/18 Original £m**	**2018/19 Original £m**	**2019/20 Original £m**	**2020/21 Original £m**
Borrowing	9.285	9.285	10.806	10.844	11.118	11.193	11.006
Finance Leases - New	4.448	4.448	4.448	4.448	4.448	4.448	4.448
Total	**£13.733**	**£13.733**	**£15.254**	**£15.292**	**£15.566**	**£15.641**	**£15.454**

8.5 The **Operational Boundary** links directly to the Council's estimates of the Capital Financing Requirement and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst case scenario but without the additional headroom included within the Authorised Limit.

8.6 The Chief Financial Officer has delegated authority, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities. Decisions will be based on the outcome of financial option appraisals and best value considerations. Any movement between these separate limits will be reported to the next meeting of the Full Council.

No. 7 **Operational Boundary for External Debt**	**2016/17 Original £m**	**2016/17 Approved £m**	**2016/17 Revised £m**	**2017/18 Original £m**	**2018/19 Original £m**	**2019/20 Original £m**	**2020/21 Original £m**
Borrowing	1.916	1.916	1.915	1.838	1.777	1.716	1.655
Finance Leases	3.413	4.057	4.057	4.057	4.057	4.057	4.057
Total	**£5.329**	**£5.973**	**£5.972**	**£5.895**	**£5.834**	**£5.773**	**£5.712**

9 Adoption of the CIPFA Treasury Management Code:

9.1 This indicator demonstrates that the Council has adopted the principles of best practice.

Number 8	**Adoption of the CIPFA Code of Practice in Treasury Management** The Council approved the adoption of the CIPFA Treasury Management Code at its Full Council meeting on 25 February 2003. The Council has incorporated any changes resulting from the revisions to the CIPFA Treasury Management Code within its treasury policies, practices and procedures.

10. Gross Debt[4]

10.1 The purpose of this treasury indicator is to highlight a situation where the Council is planning to borrow in advance of need:

<u>No. 9</u>	2016/17 Original £m	2016/17 Approved £m	2016/17 Revised £m	2017/18 Original £m	2018/19 Original £m	2019/20 Original £m	2020/21 Original £m
Outstanding Borrowing	(1.492)	(1.415)	(1.415)	(1.338)	(1.277)	(1.216)	(1.155)
Other Long Term Liabilities	(3.052)	(2.547)	(2.547)	(2.124)	(1.653)	(1.305)	(0.799)
Gross Debt	**(£4.544)**	**(£3.962)**	**(£3.962)**	**(£3.462)**	**(£2.930)**	**(£2.521)**	**(£1.954)**
Capital Financing Requirement	**£5.283**	**£5.422**	**£4.806**	**£4.300**	**£3.783**	**£3.387**	**£2.833**
Is our Gross Debt in excess of our Capital Financing Requirement and are we therefore borrowing in advance of need?	**No**	**No**	**No**	**No**	**No**	**No**	**No**

11. Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure:

11.1 These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates. The Council calculates these limits on net principal outstanding sums (i.e. fixed rate debt net of fixed rate investments).

11.2 The upper limit for variable rate exposure has been set to ensure that the Council is not exposed to interest rate rises, which could adversely impact on the revenue budget:

No. 10 and 11	2016/17 Original %	2016/17 Approved %	2016/17 Revised %	2017/18 Original %	2018/19 Original %	2019/20 Original %	2020/21 Original %
Fixed Interest Rates							
Upper Limit on Fixed Interest Rate Exposure on Investments	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)
Upper Limit on Fixed Interest Rate Exposure on Debt	100%	100%	100%	100%	100%	100%	100%
Net Fixed Exposure (No. 10)	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**	**0%**
Variable Interest Rates							
Upper Limit for Variable Rate Exposure on Investments	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)	(100%)
Upper Limit for Variable Rate Exposure on Debt	30%	30%	30%	30%	30%	30%	30%
Net Variable Exposure (No. 11)	**(70%)**	**(70%)**	**(70%)**	**(70%)**	**(70%)**	**(70%)**	**(70%)**

[4] At nominal value.

12. Maturity Structure of Fixed Rate borrowing:

12.1 This indicator highlights the existence of any large concentrations of fixed rate debt needing to be replaced at times of uncertainty over interest rates and is designed to protect against excessive exposures to interest rate changes in any one period, in particular in the course of the next ten years.

12.2 It is calculated as the amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate. The maturity of borrowing is determined by reference to the earliest date on which the lender can require payment.

No. 12 **Maturity Structure of Fixed Rate Borrowing**	**£**	**%**	**Lower Limit**	**Upper Limit**
Under 12 months	75,733	5.35%	0%	100%
12 months and within 24 months	60,880	4.30%	0%	100%
24 months and within 5 years	182,640	12.91%	0%	100%
5 years and within 10 years	304,400	21.51%	0%	100%
10 years and within 20 years	608,800	43.02%	0%	100%
20 years and within 30 years	182,640	12.91%	0%	100%
30 years and within 40 years	0	0.00%	0%	100%
40 years and within 50 years	0	0.00%	0%	100%
50 years and above	0	0.00%	0%	100%
Total	**£1,415,093**			

13. Upper Limit for total principal sums invested over 364 days:

13.1 The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of The Council having to seek early repayment of the sums invested.

No 13 **Upper Limit for total principal sums invested over 364 days**	**2016/17** **Original** **£m**	**2016/17** **Approved** **£m**	**2016/17** **Revised** **£m**	**2017/18** **Original** **£m**	**2018/19** **Original** **£m**	**2019/20** **Original** **£m**	**2020/21** **Original** **£m**
Upper Limit	**£3.500**	**£3.500**	**£6.000**	**£6.000**	**£6.000**	**£6.000**	**£6.000**

Adoption of Community Infrastructure Levy Regulation 123 List

Cllr Pritchard

Date:	7th February 2017
Agenda Item:	6
Contact Officer:	Ashley Baldwin
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Key Decision?	**YES**
Local Ward Members	All

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CABINET

1. Executive Summary

1.1 The Community Infrastructure Levy (CIL) is a planning charge, introduced by the Planning Act 2008 as a tool for local authorities in England and Wales to help deliver infrastructure to support the development of their area. It came into force on 6th April 2010 through the Community Infrastructure Levy Regulations.

1.2 Lichfield District Council's CIL Charging Schedule, Regulation 123 list, Instalment Policy, In Kind Policy and Exemptions, Relief and Exceptional Circumstances Policy were all approved by Full Council on 19th April 2016. There is a commitment in the Regulation 123 list to update this on a regular basis and to ensure that the contents are clear to all readers and users of the list.

1.3 Following approval by Cabinet in October 2016, a revised and updated Regulation 123 list attached at **APPENDIX A** was subject to public consultation with the proposed amendments shown in red. The comments received have been reviewed with recommendations and amendments to the document now proposed. A summary of comments and recommendations form **APPENDIX B** with the revised version of the Regulation 123 list incorporating the recommendations provided at **APPENDIX C**.

2. Recommendations

2.1 That Cabinet approves the recommendations listed in **APPENDIX B** which relate to the Regulation 123 list and approves the publication of the Habitats Regulations Assessment (**APPENDIX C**) with regard to these amendments.

2.2 That Cabinet recommends the revised Regulation 123 list (**APPENDIX C**) is approved by Full Council.

3. Background

3.1 The CIL is a charge levied on certain new buildings and extensions to buildings according to their floor area. In this way money is raised from development to help the Council contribute towards the infrastructure required to ensure the District grows sustainably.

3.2 Following a lengthy development process in line with the CIL Regulations (2010) and substantial public consultation, the District Council's Charging Schedule was examined in January 2016 and approved by Full Council on 19th April 2016 along with the Regulation 123 list, Instalment Policy, In Kind Policy and

Exemptions, Relief and Exceptional Circumstances Policy. Approval was also given to commence charging CIL on 13th June 2016.

3.3 CIL income from new development (after allowing for Parish Council shares and administration) can be spent on anything that constitutes "infrastructure" as defined by Regulation 216 of the 2008 Planning Act and the CIL Regulations 2010 (as amended). As part of the administration of CIL, Regulation 123 of the Community Infrastructure Levy Regulations 2010 (as amended) sets out the requirement for the CIL Charging Authority to publish a list of the infrastructure which may in whole or in part be funded through the CIL. This list prevents double funding, as items on this list cannot be funded through Section 106 (S106) agreements. It is, therefore, important that the CIL 123 List does not limit the Council's ability to negotiate a S106 obligation where directly related and specific infrastructure needs are identified for a development scheme.

3.4 Planning Guidance states that *'authorities may amend the Regulation 123 list without revising their charging schedule, subject to appropriate consultation. However, where a change to the Regulation 123 list would have a very significant impact on the viability evidence that supported the examination of the charging schedule, this should be made as part of a review of the charging schedule'.*

3.5 As noted in the currently adopted Regulation 123 list introductory text, the list will be updated on a regular basis taking into account the Council's Infrastructure Delivery Plan (IDP) and any changes to the CIL Regulations. The IDP has been updated and the opportunity has also been taken where necessary to provide clarity in relation to queries raised by stakeholders since publication of the original Regulation 123 list in April 2016. Following approval by Cabinet in October 2016, the revised Regulation 123 list attached at **APPENDIX A** was subject to public consultation for a period of 4 weeks between 12 October and 10 November 2016. The amendments to the original being shown in red.

3.6 The Consultation resulted in 8 external representations. The comments received were mainly regarding the 'transport' and 'biodiversity and environment' sections with comments also received regarding health and education. The main points identified can be summarised as follows:

- A need for clarity in regard to the relationship between S106 contributions and the Community Infrastructure Levy for the projects on the Regulation 123 list.
- Clarification regarding the nature of projects identified on the list.
- Project delivery specifically relating to the CIL Charging Schedule and the ability of CIL to fund the projects on the Regulation 123 list.

In response to the representations a number of changes to the document are being proposed. A summary of these representations can be viewed in **APPENDIX B**.

3.7 It is intended that this iteration of the Regulation 123 list as shown at **APPENDIX C**, on adoption will supersede the previous version adopted on 19th April 2016.

3.8 As part of the revisions to the wording of the Cannock Chase Special Area of Conservation (SAC) item on the Regulation 123 list, a revised Habitats Regulations Assessment has been undertaken and approved by Natural England **(APPENDIX D)**. This provides a record of Lichfield District Council's conclusion that the residential development allocated in the 8-15km zone (due to the payment regime) will have no adverse effects on the integrity of the Cannock Chase SAC.

Alternative Options	1. The District Council could continue with the current Regulation 123 list as approved by Full Council on 19th April 2016 however without the proposed revisions to the Regulation 123 list there would be a lack of clarity between the uses of CIL and S106 obligations and could reduce the Council's capacity to secure S106 obligations which mitigate the impact of development.

Consultation	1. Consultation has taken place internally and with Staffordshire County Council regarding the content of the Regulation 123 list. In addition the revisions to the Regulation 123 list were presented to the Economic Growth, Environment and Development (Overview and Scrutiny Committee) at its 15th September 2016 meeting. Following Cabinet approval, 4 weeks of public consultation was subsequently undertaken on the draft revised list. 2. The Draft 123 list was considered and endorsed by the Economic Growth, Environment and Development (Overview and Scrutiny) Committee on 12th December 2016.

Financial Implications	1. The District Council is required to publish a list of the infrastructure (Regulation 123 list) which may in whole or in part be funded through the CIL. Items on the Regulation 123 list cannot be funded through S106 agreements however by providing clarity this will enable S106 obligations to be levied where necessary to meet Habitats Regulations and to make a development acceptable in planning terms. 2. Revision of the Regulation 123 list itself has been undertaken within existing service budgets.

Contribution to the Delivery of the Strategic Plan	1. The Local Plan Strategy (2015) and its associated infrastructure requirements as set out in the Infrastructure Delivery Plan are relevant to the Council's ambitions regarding the economy, communities and places as identified in the Strategic Plan 2016-2020 for Lichfield District.

Equality, Diversity and Human Rights Implications	1. There are no Human Rights Issues.

Crime & Safety Issues	1. There are no crime and safety issues.

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	If we do not have a clear and up to date Regulation 123 list the need for S106 contributions could be challenged.	Ensure that an up to date Regulation 123 list exists to ensure the distinction between CIL and S106 is clear and therefore supports the sustainable development of the area.	Yellow
B	If we do not have a clear and up to date Regulation 123 list the distinction between what is funded through CIL and S106 would be unclear and the authority may be at risk from double counting.	Ensure that an up to date Regulation 123 list exists to ensure the distinction between CIL and S106 is clear and therefore supports the sustainable development of the area.	Yellow
C	The Government is currently conducting a review of CIL as to whether it is meeting its intended objectives of providing a faster, fairer, more certain and transparent means of funding infrastructure through developer contributions.	As and when the Government make any changes to CIL, the Council may have to review its administration of the charge and any other relevant supporting policies.	Yellow
D	The cost of meeting Lichfield District's infrastructure needs exceeds the amount of money available from CIL and decisions will therefore need to	No single funding mechanism will be sufficient to deliver all the necessary infrastructure to support new development within the District. A	Yellow

	be made on which items of infrastructure are funded.	packaged approach to funding will be required. The District Council has developed Governance arrangements for the allocation of CIL income which were approved at Full Council in July 2016.	

Background documents

Community Infrastructure Levy Regulations 2010 http://www.legislation.gov.uk/ukdsi/2010/9780111492390/contents
CIL Examination Report https://lichfielddc.gov.uk/Council/Planning/The-local-plan-and-planning-policy/Planning-obligations/Downloads/Community-Infrastructure-Levy-CIL/Lichfield-CIL-final-examiners-report.pdf

Relevant web links

https://lichfielddc.gov.uk/Council/Planning/The-local-plan-and-planning-policy/Planning-obligations/Community-Infrastructure-Levy-CIL.aspx

Appendix A

Lichfield District Council

Community Infrastructure Levy

Regulation 123 List

Effective from Day/Month/2016

Lichfield district council
www.lichfielddc.gov.uk

What is the Community Infrastructure Levy?

The Community Infrastructure Levy (CIL) is a charge on development, calculated on a £ per square metre (sq.m) basis of development. CIL is intended to be used to help fund infrastructure to support the development of an area rather than making an individual planning application acceptable in planning terms, which is the purpose of Section 106 Agreements. CIL does not fully replace Section 106 Agreements. For more information you can also:

- Visit the Council's CIL web pages: www.lichfielddc.gov.uk/CIL
- Read the CIL Planning Policy Guidance (PPG): http://planningguidance.communities.gov.uk/blog/guidance/community-infrastructure-levy/
- Email: CIL@lichfielddc.gov.uk
- Call Lichfield's Planning enquiry line: 01543 308174
- Visit the Planning Portal.
- Lichfield District Council's Planning Obligations Supplementary Planning Document

What is this document?

CIL income from new development can be spent on anything that constitutes "infrastructure" as defined by Regulation 216 of the 2008 Planning Act and the CIL Regulations 2010 (as amended). This includes but is not limited to: roads and other transport facilities, flood defences, schools and other educational facilities, medical facilities, sporting and recreational facilities, and open spaces. Regulation 123 of the CIL Regulations 2010 (as amended) sets out the need for local authorities to produce a list of "relevant infrastructure" which will be funded in whole or part by the CIL.

The Community Infrastructure Regulations 2010 (as amended) restricts the use of planning obligations secured through S106 agreements for infrastructure that will be funded in whole or in part by the Community Infrastructure Levy. This is to ensure there is no duplication between CIL and planning obligations in funding the same infrastructure projects. In addition, a development should not have to contribute twice towards the same piece of highways infrastructure through works carried out under Section 278 of the Highways Act 1980, and monies or land provided through CIL. The CIL Regulations 2010 (as amended) prescribe that a condition must not be imposed on the grant of planning permission to require a highway agreement for the funding or provision of infrastructure that is included on the Regulation 123 list, nor must a planning condition be used that prevents or restricts the carrying out of development (sometimes referred to as a 'Grampian condition') until a highway agreement has been entered into which is also included on the Regulation 123 list of infrastructure.

The relationship between CIL and planning obligations is explained in the Planning Practice Guidance[1] where it notes that it is possible that site specific mitigation may still be necessary subject to certain limits, namely:

[1] Paragraphs 93 to 107; Reference ID:25-093-20140612 to Reference ID: 25-107-20140612

- The application of the statutory test with respect to planning obligations (Regulation 122);
- Ensuring no overlap between CIL and planning obligations as noted above; and
- Imposing a limit on pooled contributions from planning obligations towards infrastructure that may be funded by the levy.

The list below sets out those infrastructure projects that Lichfield District Council currently intends may be wholly or partly funded by CIL, together with clarification notes and S106 requirements. The order in the table does not imply any order of preference for spend, it just signifies projects that will be considered by the council in its decision as to what might receive CIL funding. This list will be updated on a regular basis, taking into account the Council's Infrastructure Delivery Plan (IDP) and any changes to the CIL regulations.

Transport	
Infrastructure to be funded in whole or in part by CIL	**Notes**
Completion of the Lichfield Southern Bypass via provision of new underbridge section.	• Section from east of new bridge structure to London Road to be delivered by developer as part of site access road layout. • New underbridge section will be funded by existing s106 and possible Local Growth Fund. • Section to west of new bridge to be delivered ~~by gift of~~ on land ~~from~~ currently owned by developers.
Improvements to the Strategic Highway Network as identified by the Highways Agency at: • Muckley Corner • Swinfen • Further junction improvements and safer access to A38 (Hillards Cross and Fradley South)	CIL funds may be used to form part of package for Local Enterprise Partnership (LEP) bids.
Transport improvement scheme from the integrated Transport Strategy for Lichfield: Lichfield City Centre Transport Package including: • Bus network improvements • Cycle and walking routes within the City • Electric Charging Points • Delivery of local traffic routing scheme • Designated Coach Parking area • Real Time Passenger Information, including signage to car parks East Lichfield Local Transport Package (including Fradley) including:	

• HGV routing and parking arrangements in Fradley Burntwood Transport Package including: • Cannock Road – public realm enhancements and access modifications • Improved walking and cycling links from southern to northern Burntwood • Bus access and service improvements linking to Cannock and Lichfield • Burntwood Bus interchange District wide measures including • A5 (T) and A38 (T) • Route signage Lichfield to Tamworth	

Education	
Infrastructure to be funded in whole or in part by CIL	**Notes**
Primary Education Primary School provision to deliver the Local Plan Strategy will be generated through S106 agreements apart from the following projects that may benefit from CIL funds: • A 105 place expansion of Hob Hill Primary School, Rugeley to increase the school from 210 to 315 places • A 77 place expansion of All Saint's Alrewas Primary School to increase the school from 238 places to 315 places	S106 agreements will be required to secure the provision of primary education facilities to mitigate the need generated by site specific developments, and growth within the Strategic Development Allocations (SDAs) identified in the Lichfield District Local Plan as: • South of Lichfield • Deans Slade Farm • Cricket Lane • East of Lichfield (Streethay) • Fradley • East of Burntwood Bypass • East of Rugeley • North of Tamworth (BDL)
Secondary Education Delivery of Five Forms of Entry of additional secondary education facilities through: • Expansion to Nether Stowe School • Expansion to The Friary School • Expansion to King Edward VI School	S106 agreements will be required to secure the provision of secondary education facilities (other than those to be funded through CIL) to mitigate the need generated by site specific developments.

Open Spaces, Sporting and Recreational Facilities	
Infrastructure to be funded in whole or in part by CIL	**Notes**
Open Space Improvements to open space provision, including play provision for key sites, in line with the Open Space Assessment.	S106 agreements will be required to secure the on-site provision and maintenance of recreation and open space needs generated by growth within the Strategic Development Allocations (SDAs) and the North of Tamworth Broad Development Location identified in the Lichfield District Local Plan as: • South of Lichfield • Deans Slade Farm • Cricket Lane • East of Lichfield (Streethay) • Fradley • East of Burntwood Bypass • East of Rugeley • North of Tamworth Broad Development Location
Indoor Sports CIL funds may be spent on improving indoor sports provision to serve Lichfield City and its hinterland as set out in the Swimming Pool and Sports Hall Feasibility Study 2013.	No specific elements for indoor sports provision have been identified for new S106 funding.

Playing Pitches CIL funds may be spent on improving playing pitch provision in line with the deficiencies identified in the Playing Pitch, Tennis and Bowls Strategy.	S106 agreements will be required to secure the on-site provision and maintenance of playing pitch provision for the following SDAs and the North of Tamworth Broad Development Location identified in the Lichfield District Local Plan as: • South of Lichfield • Deans Slade Farm • Cricket Lane • East of Lichfield (Streethay) • Fradley • East of Burntwood Bypass • East of Rugeley • North of Tamworth Broad Development Location

Environment and Biodiversity **Infrastructure to be funded in whole or in part by CIL**	**Notes**
Environment and Biodiversity CIL funds may be spent on improving the public realm, landscapes and habitats; and improving access to green space, to include: • Chasewater Country Park improvements. • Central Rivers Initiative projects. • ~~Heathland management programme.~~ • Improvements to the canal network to improve Green Infrastructure Links. • Local Nature Reserves. • Woodland and hedgerow projects. *Except on sites identified as biodiversity offsetting recipient sites.*	S106 agreements will be required to fund biodiversity offsetting measures where appropriate and as outlined in Local Plan Strategy 2008-2029 Policy NR3 and expanded upon within the Biodiversity and Development SPD.
Infrastructure works relating to the restoration of the Lichfield and Hatherton Canal will potentially benefit from CIL funds, *apart from works required in relation to any on-site provision by the developers connected to the three SDAs in the vicinity of the canal: South of Lichfield, Deans Slade Farm, Cricket Lane.*	Section 106 agreements will be required where appropriate to secure infrastructure works relating to the restoration of the Lichfield and Hatherton Canal for the three SDAs in the vicinity of the canal: South of Lichfield, Deans Slade Farm, Cricket Lane.

Cannock Chase Special Area of Conservation CIL funds may be spent on measures for preventing harm to the Cannock Chase Special Area of Conservation (CCSAC) agreed by the Cannock Chase SAC partnership i.e. the Strategic Access Management and Monitoring Measures (SAMMM) *apart from works required in relation to interpretation panels and waymarking as identified in the SAMMM.*	S106 agreements will be required for the Strategic Development Allocations (SDAs) to secure the provision of bespoke mitigation measures in relation to the Cannock Chase Special Area of Conservation other than the mitigation contained within the SAMMM. To satisfy Habitats Regulations and prevent harm to the Cannock Chase SAC, contributions via S106 agreements/unilateral undertakings will be required towards works required in relation to interpretation panels and waymarking as identified in the SAMMM by all new net dwellings which are not liable to, or exempt from CIL charges within the 0-8km Zone of Influence.
~~**River Mease Special Area of Conservation**~~ ~~CIL funds may be spent on measures for mitigating the impact of development upon the River Mease Special Area of Conservation (RMSAC) measures~~.	

Other Infrastructure	
Infrastructure to be funded in whole or in part by CIL	**Notes**
Flood Mitigation General measures may benefit from CIL funds.	Site specific SUDS will be secured through planning conditions or S106 agreements.
Health facilities CIL funds may be used where evidence is provided that there is no local capacity and expansion of services is required to support growth across the district.	S106 agreements will be required for the Strategic Development Allocations (SDAs) to secure the provision of health care as identified in the Local Plan Strategy concept statements.
Social and community facilities will benefit from the local slice of CIL funds (15-25%) raised within their area. These funds can be distributed by Parish Councils and any neighbourhood planning forums that emerge, in line with evidence of local need.	S106 agreements will be required for the Strategic Development Allocations (SDAs) to secure the provision of community centres/hubs as identified in the Local Plan concept statements.
Low Carbon Initiatives / Carbon Investment Fund CIL funds may be used to support the delivery of Local Plan policy SC1 which states: The District Council is developing a Carbon Community Fund (CCF) which will support the achievement of carbon targets through financial contributions.	

Regulation 123 Draft Charging Schedule Consultation Summary Table

Organisation	Comment Summary	Action
Highways England	In relation to transport provisions impacting on the strategic road network that it largely replicates those matters cited in the Infrastructure Delivery Plan (IDP) 2015. Our previous letter to the Council, dated 1st September 2016 has made clear that the content of the IDP is not substantiated by any available transport evidence; it is largely reliant on traffic modelling data which is out of date and which does not reflect the level or distribution of development growth now envisaged by the adopted local plan. We consider that a more robust assessment of strategic traffic impacts is required to inform the suitability and use of CIL to fund district wide transport infrastructure needs. This would enable a more considered position in relation to the existing infrastructure requirements and accordingly, the Community Infrastructure Levy – Regulation 123 List. We are concerned that the existing list of items on the Regulation 123 List is fairly generic in terms of the location and scope of improvements which may be necessary on the SRN. Their inclusion, in this format, may preclude the use of traditional mechanisms, to secure site specific infrastructure and bring a risk of double counting.	Duly noted. Liaison is underway with HE regarding the IDP. Follow up telephone call and confirmation email received that the HE are happy with the content of the R123 list. Highways England acknowledge, the nature and cost of strategic road network schemes are not known at the present time. **Recommendation** No change
	We also note that the 'Highways Agency' is referenced in page 3 of the document. For the avoidance of any confusion, Highways England has (since April 2015) become the strategic highways company with responsibility maintaining the safety and efficiency of the SRN in England.	Duly noted **Recommendation** Amended text.
Staffordshire County Council	**Transport:** • In relation to the Lichfield Transport Package: bullet point 4 for clarity reword as *'Delivery of a traffic directional signage scheme'*.	Duly noted. **Recommendation** Amend to clarify nature of the project
	• As only some elements of the District Integrated Transport Strategy perhaps include in the noted section *'Delivery of other schemes/projects within the District Integrated Transport Strategy not listed will continue to*	Duly noted. **Recommendation**

	be delivered via S106 and/or Planning Condition where appropriate'.	Amend notes section to distinguish projects funded via CIL and S106.
	• Agree to the change in the notes section relating to the land required for the completion of the bypass.	Duly noted.
	Education: The changes seem appropriate. For clarification our interpretation of the R123 list is that the Secondary school projects listed delivers the required pupil places for the growth in housing in Lichfield City and its immediate environs. Housing development elsewhere in the District that does not feed into the city centre secondary schools will where necessary contribute via S106 to projects at other schools to provide places to mitigate their developments' impact. Please could you confirm that this with the proposed changes provide for this.	Duly noted. **Recommendation** Notes section is amended to ensure clarification of the split between CIL and S106 projects.
	Flood Mitigation Measures Considere this is too general and could hinder the delivery of site specific projects. Propose the notes section is amended to *'Site specific SUDS and offsite flood mitigation measures where they are required directly as a result of the development will be secured through planning conditions or S106 agreements'.*	Duly noted. **Recommendation** Notes section is amended to ensure clarification of delivery mechanisms.
	Environment and Biodiversity Changes acceptable	Duly noted.
Framptons on behalf of 'the Deanslade Park Consortium'.	**Transport** The Consortium raised the inappropriate nature of the phrase 'gift of land from developers' in the adopted version of the CIL documentation at a pre-application meeting in June 2016. Therefore its removal is a welcome clarification. However the change of text fails to adequately address the point which the Consortium were trying to articulate. The Consortium, as stated at both sittings of the LDC Local Plan Examination in Public, are willing to discuss the area of land in question and in accordance with the LDC 'Payment in Kind Policy' would be willing to negotiate transfer of this land in lieu of other payments. Therefore the Consortium's position is that the third bullet should	Duly noted. The District Council has an adopted Payment in Kind Policy, however it is at the Council's discretion whether the authority enters into an agreement for a land payment to discharge part or all of a levy liability. Inclusion of this within the R123 list would pre-empt future discussions.

	make reference to the Council's adopted Payment in Kind Policy at this point so that it is clear that the land is not a gift, but can be offset against other contributions as part of the planning application process.	**Recommendation** No change
	Education: The Deanslade Park Consortium throughout the Local Plan Examination in Public and during pre-application discussions with the Local Education Authority (SCC) have discussed the developer contributions necessary for Secondary education. The response has been consistently that no contributions via S106 will be necessary and the SDAs will be excluded from further S106 agreements. It implies that SDAs within the catchment of the 3 named secondary schools will be exempt, but this is open to interpretation. It is therefore requested that the precise position be clarified in the documentation for the avoidance of doubt and to give certainty to all parties.	Duly noted. **Recommendation** Notes section is amended to ensure clarification of the split between CIL and S106 projects and Lichfield City and the remainder of the District.
	Environment and Biodiversity This section of the CIL documentation would be made sound if it included a clause for the SDAs to be considered as offsetting sites for biodiversity if they are making a suitable provision as part of any application. In the case of Deanslade Park the proposals include a hill top Country Park of circa 16 ha area as well as other Green Infrastructure within the site. It is submitted this provision, subject to appropriate management and maintenance constitute appropriate opportunities for biodiversity offsetting. Therefore the CIL documentation should include a bullet point for provision of this type associated to the Local Plan SDAs. Whilst discussions with officers at Pre-application stage have implied any site can deliver offsetting it is considered beneficial for reasons of deliverability and clarity for the bullet points at page 8 to include 'onsite biodiversity offsetting at allocated SDAs'.	Delivering biodiversity compensation in a measurable way is essential to demonstrating that a net-gain to biodiversity value is likely to be achieved by a development. Where measurable compensation is delivered beyond the boundaries (red and blue lines) of an application it is termed 'biodiversity offsetting'. Therefore a development site cannot 'biodiversity offset' its own impact on site. The impact would have to be compensated offsite. Should any site whether an SDA or other, wish to provide a site to host biodiversity offsetting to compensate for

		development elsewhere within the District this is at the discretion of the respective land owners and a private matter. Representations can be made to the District Council regarding its Biodiversity Offsetting Opportunity Maps and its emerging Biodiversity Offsetting Strategy. **Recommendation** No change
	Lichfield and Hatherton Canal The Deanslade Park Consortium has consistently stated throughout the LDC Local Plan Examination; Public Exhibition June 2015; and through formal Pre-application discussions that they will resist making contributions that fail to meet the CIL Regulation 122 tests. No compelling evidence has been tabled by the Local Planning Authority or those promoting the Canal to demonstrate the Canal is essential infrastructure. The Canal new build project put very simply is not required to make any of the three South Lichfield SDAs acceptable in planning terms. Specifically in the case of Deanslade Farm land for the route of the future canal has been safeguarded to the north of the housing allocation which is outside of the application but will remain unaffected by the proposals. In these circumstances the requirement fails the test of CIL Regulation 122 and should be omitted from the CIL documentation as it is unlawful.	The levy is intended to provide infrastructure to support the development of an area, rather than making individual planning applications acceptable in planning terms. As a result, some site specific impact mitigation may still be necessary in order for a development to be granted planning permission. Some of these needs may be provided for through the levy but others may not, particularly if they are very local in their impact. Therefore, the Government considers there is still a legitimate role for development specific planning obligations to enable a local planning authority to be confident that the specific consequences of a particular

		development can be mitigated. (Planning Practice Guidance Paragraph: 094 Reference ID: 25-094-20140612) As such the Lichfield Canal can be included on the R123 list and requires 'on site provision'. As stated in the representation, the canal lies to the north of the housing allocation and outside the application. **Recommendation** No change
	Cannock Chase Special Area of Conservation The Deanslade Park Consortium recognises the special qualities of Cannock Chase and understands the sensitivity of the site and the need to protect it so that it can remain as a functional destination and facility into the future. However as far back as 2014 in the LDC Local Plan Examination in Public the Consortium raised the issue of on-site open space (such as the 16 ha Country Park at Deanslade Farm) providing an alternative destination which would reduce the perceived pressure from visitor numbers to Cannock Chase as residents of Deanslade Park and Lichfield generally would be able to use the 16 ha Country Park being provided for recreation. The Consortium is not trying to create a destination such as Cannock Chase but feels strongly that the over provision of open space at Deanslade Farm should be recognised as a facility or community asset that will provide a long term opportunity for recreation and countryside access. Such a position was debated with the Local Inspector in 2014 as seen the following extracts below from the Consortiums response to	Research commissioned by the Cannock Chase SAC Partnership concluded that an adverse effect on the integrity of the SAC would arise from residential development within 15km of this European Site in the absence of mitigation. The Cannock Chase SAC Partnership has developed and is implementing a developer contributions scheme to fund a package of access management measures[1] to offset the impact of new housing identified within the Local Plan policies of the planning authorities within the 0-15km Zone of Influence (ZOI). These Strategic Access Management and Monitoring Measures (SAMMM) provide

[1] Strategic Access Management and Monitoring Measures (SAMMM)

	the Inspector's questions: "*3.21 Question 8. Cannock Chase Special Area of Conservation. Has it been established that 15km zone of influence soundly based? Is policy NR7 too onerous?* *3.22 The consortium has no specific comments to raise concerning the 15km zone as this is for the Council and its partners to justify. The one observation the consortium would like to raise is that the policy should be sufficiently flexible to recognise opportunities for sites to provide on-site mitigation for alternative natural green space if the particular site is appropriate. In the case of Deanslade Farm the formation of the Country Park offers an opportunity for such a facility and the policy should facilitate this being investigated*". It is submitted that Page 9 of the LDA CIL consultation should allow for the opportunity for SDAs to offset the impact of the additional population they house on the Cannock Chase Special Area of Conservation where significant over provisions of open space which will be publically accessible will offer alternative destinations which will reduce the burden on the Chase for local amenity and recreation.	mitigation to rule out adverse effects on the integrity of the SAC. Based on the analysis of the visitor survey data and the cost of a proportionate suite of access management measures (SAMMM) the Partnership agreed to collect developer contributions from the 0-8km ZOI to deliver the £1.97 million required in order to mitigate for the impact of new housing within the whole 0-15km zone. It is at the discretion of each authority within the 0-8km ZOI how to deliver their individual total mitigation monies required to the SAC Partnership. As such, contributions are only sought from planned residential development within the 0-8km zone. In Lichfield these contributions are taken from the CIL pot for all new net residential development within the 0-8km zone at the rate per dwelling set within the 'Cannock Chase SAC - Guidance to Mitigate the Impact of New Residential Development'. The CIL rates set have been subject to examination and are non negotiable. The District Council does however have both 'in kind' and 'exceptional circumstances relief' policies. **Recommendation** No change

Walsall Council	Walsall Council supports the changes and has no further comment.	Duly noted
HSE	No representation to make at this stage.	Duly noted
Inland Waterways Association	**Environment and Biodiversity** Support the R123 list subject to amendment of 'Lichfield and Hatherton Canal' to just 'Lichfield Canal'.	Duly noted **Recommendation** Amend reference to Lichfield and Hatherton Canal to 'Lichfield Canal'.
Lichfield Civic Society	**General observations** Although the document states at the outset that the intention of the CIL List is to "avoid duplication with S.106 contributions, etc.", the details relating to many of the items of infrastructure present both CIL and S.106 as sources for funding. This seems to be neither helpful nor "avoiding duplication".	The CIL Charging Authority must publish a list of the infrastructure which may in whole or in part be funded through the CIL. This list prevents double funding, as items on this list cannot be funded through S106 agreements. It is, therefore, important that the R123 List does not limit the Council's ability to negotiate a S106 obligation where directly related and specific infrastructure needs are identified for a development scheme. **Recommendation** No change
	The List is extensive (and expensive) and is only likely to be funded in part by developers, particularly when the total requirements for contribution to the CIL fund for any site are aggregated. This, in turn, raises the question as to whether a development should proceed, or be granted planning permission,	The CIL Regulations 2010 (as amended) restrict the use of S106. Contributions (S106) may only be pooled from up to five separate

	without the necessary basic infrastructure and associated funding in place.	planning obligations for a specific item of infrastructure as such the delivery of large projects is restricted. Regulation 122 of the CIL Regulations provide the parameters for when planning obligations can be used, ie the obligation is necessary to make the development acceptable in planning terms, directly related to the development and fairly and reasonably related in scale and kind to the development.
	The funding situation for essential infrastructure seems to be ineffective in securing adequate funding partly because of: - 1. The way the legislation is structured, 2. The nominal amount of CIL that the SDA sites will contribute and 3. Weaknesses or anomalies in policies adopted by the Council that relieve developers of costs. This results in the costs falling upon the public purse or essential infrastructure not being provided. With these weaknesses developers, may well find it easy to avoid or limit their overall contribution to addressing the needs. Two examples where policies and funding is inadequate are the Southern Bypass and health facilities as mentioned below.	The CIL rates set have been subject to viability testing and examination. Please see these items addressed under Transport and Health below.
	Transport Regarding the detailed items in the List, Lichfield Southern Bypass has three sources of funding quoted (i.e. future developers, existing S106 monies and "possible Local Growth Fund"). This is but one vital item of infrastructure in the District where uncertainty exists as to funding, although the same point could be made on many other items on the List. On the Lichfield Southern Bypass, the IDP is unclear, or of doubtful content, where it states that the South	The council has long recognised that it has never been the intention, nor is it possible, that CIL will fund all the demands for infrastructure provision. Instead, the purpose of CIL is to contribute towards funding

	Lichfield SDA does not require completion of the Bypass. This may well be the current policy (unfortunately) of LDC and SCC for what was the initial element (the so- called St John's site), but once the developments at Cricket Lane and Deanslade are included, the requirement for prior completion is fundamental. This matter should be addressed in policy terms.	infrastructure in conjunction with other sources of funding. Inclusion on the R123 list allows for the project to receive CIL but also prevents double funding, as items on this list cannot be funded through S106 agreements. **Recommendation** No change
	Health Facilities In the adopted Local Plan, apart from Fradley, none of the Strategic Development Allocations (SDAs) sites in Burntwood, East of Rugeley, Lichfield or Streethay have any reference to health care provision.	Duly noted **Recommendation** Amend notes section to *'S106 agreements will be required for the Strategic Development Allocations (SDAs) to secure the provision of health care ~~as~~ where identified in the Local Plan Strategy concept statements'.*
	Our view is that the need for additional capacity in Lichfield is likely to arise following completion of the SDA's and other allocated or windfall sites in the City and Streethay. The low level of CIL contributions of the SDA sites towards delivery of infrastructure indicates that Lichfield City will in due course be in the same position as Burntwood with a real and belated recognition of the need for additional health provision. Little, if any, monies for health facilities will be available from CIL because of all the other categories of funding needs identified in the IDP and regulation 123 list.	Substantial viability evidence was undertaken to set the rates within the charging schedule and which were subject to public examination. The R123 list is a list of those projects or types of infrastructure that it intends to fund, or may fund, through the levy. The levy delivers additional funding for charging authorities to carry out a wide range of infrastructure projects that support

		growth and benefit the local community. It cannot be expected to pay for all the infrastructure required, but it is expected to make a significant contribution. (Planning Practice Guidance Paragraph: 095 Reference ID: 25-095-20140612). The District Council are actively working with the Heath Authority with regard to health provision within the District. In addition should it be required. The District Council's has Governance arrangements for CIL where organisations with projects on the R123 list will bid for the release of funds from a centralised pot via a formal application process. The onus will be on applicants to produce strong evidence based arguments, which will include clear delivery plans for proposed projects along with potential and secured match funding information. **Recommendation** No change
	Other comments have been put forward made regarding Fradley health provision in the Local Plan and IDP which have no bearing on the R123 list consultation. These comments will be addressed via the relevant channel.	
Historic England	The amendments to the extant Regulation 123 list are noted and are	Duly noted. Amending the revised

	welcomed in relation to the Environment and Biodiversity section. Historic England recommends that the current text be revised to read 'CIL funds may be spent on improving the public realm, historic environment, landscapes...' for completeness since some of the projects contained in the list will impact on heritage assets whether designated or non-designated. As previously recommended, you may wish to consider including text to set out that development specific planning obligations and S106 will continue to offer opportunities for funding improvements to and the mitigation of adverse impacts on the historic environment, such as archaeological investigations, access and interpretation, and the repair and reuse of buildings or other heritage assets.	text to include the 'historic environment' as a generic subject matter would however rule out site specific S106 agreements which are bespoke to a situation. **Recommendation** No change

Appendix C

Lichfield District Council

Community Infrastructure Levy

Regulation 123 List

Effective from Day/Month/2016

Lichfield district council
www.lichfielddc.gov.uk

What is the Community Infrastructure Levy?

The Community Infrastructure Levy (CIL) is a charge on development, calculated on a £ per square metre (sq.m) basis of development. CIL is intended to be used to help fund infrastructure to support the development of an area rather than making an individual planning application acceptable in planning terms, which is the purpose of Section 106 Agreements. CIL does not fully replace Section 106 Agreements. For more information you can also:

- Visit the Council's CIL web pages: www.lichfielddc.gov.uk/CIL
- Read the CIL Planning Policy Guidance (PPG): http://planningguidance.communities.gov.uk/blog/guidance/community-infrastructure-levy/
- Email: CIL@lichfielddc.gov.uk
- Call Lichfield's Planning enquiry line: 01543 308174
- Visit the Planning Portal.
- Lichfield District Council's Planning Obligations Supplementary Planning Document

What is this document?

CIL income from new development can be spent on anything that constitutes "infrastructure" as defined by Regulation 216 of the 2008 Planning Act and the CIL Regulations 2010 (as amended). This includes but is not limited to: roads and other transport facilities, flood defences, schools and other educational facilities, medical facilities, sporting and recreational facilities, and open spaces. Regulation 123 of the CIL Regulations 2010 (as amended) sets out the need for local authorities to produce a list of "relevant infrastructure" which will be funded in whole or part by the CIL.

The Community Infrastructure Regulations 2010 (as amended) restricts the use of planning obligations secured through S106 agreements for infrastructure that will be funded in whole or in part by the Community Infrastructure Levy. This is to ensure there is no duplication between CIL and planning obligations in funding the same infrastructure projects. In addition, a development should not have to contribute twice towards the same piece of highways infrastructure through works carried out under Section 278 of the Highways Act 1980, and monies or land provided through CIL. The CIL Regulations 2010 (as amended) prescribe that a condition must not be imposed on the grant of planning permission to require a highway agreement for the funding or provision of infrastructure that is included on the Regulation 123 list, nor must a planning condition be used that prevents or restricts the carrying out of development (sometimes referred to as a 'Grampian condition') until a highway agreement has been entered into which is also included on the Regulation 123 list of infrastructure.

The relationship between CIL and planning obligations is explained in the Planning Practice Guidance[1] where it notes that it is possible that site specific mitigation may still be necessary subject to certain limits, namely:

[1] Paragraphs 93 to 107; Reference ID:25-093-20140612 to Reference ID: 25-107-20140612

- The application of the statutory test with respect to planning obligations (Regulation 122);
- Ensuring no overlap between CIL and planning obligations as noted above; and
- Imposing a limit on pooled contributions from planning obligations towards infrastructure that may be funded by the levy.

The list below sets out those infrastructure projects that Lichfield District Council currently intends may be wholly or partly funded by CIL, together with clarification notes and S106 requirements. The order in the table does not imply any order of preference for spend, it just signifies projects that will be considered by the council in its decision as to what might receive CIL funding. This list will be updated on a regular basis, taking into account the Council's Infrastructure Delivery Plan (IDP) and any changes to the CIL regulations.

Transport Infrastructure to be funded in whole or in part by CIL	Notes
Completion of the Lichfield Southern Bypass via provision of new underbridge section.	• Section from east of new bridge structure to London Road to be delivered by developer as part of site access road layout. • New underbridge section will be funded by existing s106 and possible Local Growth Fund. • Section to west of new bridge to be delivered on land currently owned by developers.
Improvements to the Strategic Highway Network as identified by the Highways England at: • Muckley Corner • Swinfen • Further junction improvements and safer access to A38 (Hilliards Cross and Fradley South)	CIL funds may be used to form part of package for Local Enterprise Partnership (LEP) bids.
Transport improvement scheme from the integrated Transport Strategy for Lichfield: Lichfield City Centre Transport Package including: • Bus network improvements • Cycle and walking routes within the City • Electric Charging Points • Delivery of a traffic directional signage scheme. • Designated Coach Parking area • Real Time Passenger Information, including signage to car parks East Lichfield Local Transport Package (including Fradley) including:	Delivery of other schemes/projects within the District Integrated Transport Strategy not listed will continue to be delivered via S106 and/or Planning Condition where appropriate'.

• HGV routing and parking arrangements in Fradley Burntwood Transport Package including: • Cannock Road – public realm enhancements and access modifications • Improved walking and cycling links from southern to northern Burntwood • Bus access and service improvements linking to Cannock and Lichfield • Burntwood Bus interchange District wide measures including • A5 (T) and A38 (T) • Route signage Lichfield to Tamworth	

Education	
Infrastructure to be funded in whole or in part by CIL	**Notes**
Primary Education Primary School provision to deliver the Local Plan Strategy will be generated through S106 agreements apart from the following projects that may benefit from CIL funds: • A 105 place expansion of Hob Hill Primary School, Rugeley to increase the school from 210 to 315 places • A 77 place expansion of All Saint's Alrewas Primary School to increase the school from 238 places to 315 places	S106 agreements will be required to secure the provision of primary education facilities to mitigate the need generated by site specific developments, and growth within the Strategic Development Allocations (SDAs) identified in the Lichfield District Local Plan as: • South of Lichfield • Deans Slade Farm • Cricket Lane • East of Lichfield (Streethay) • Fradley • East of Burntwood Bypass • East of Rugeley • North of Tamworth (BDL)
Secondary Education Delivery of Five Forms of Entry of additional secondary education facilities through: • Expansion to Nether Stowe School • Expansion to The Friary School • Expansion to King Edward VI School	CIL provides for the required secondary pupil places for the growth in housing in Lichfield City and its immediate environs. Housing development elsewhere in the District which does not feed into the three Lichfield City secondary schools will where necessary contribute via S106 to projects at other schools to provide places to mitigate their developments' impact.

Open Spaces, Sporting and Recreational Facilities	
Infrastructure to be funded in whole or in part by CIL	**Notes**
Open Space Improvements to open space provision, including play provision for key sites, in line with the Open Space Assessment.	S106 agreements will be required to secure the on-site provision and maintenance of recreation and open space needs generated by growth within the Strategic Development Allocations (SDAs) and the North of Tamworth Broad Development Location identified in the Lichfield District Local Plan as: • South of Lichfield • Deans Slade Farm • Cricket Lane • East of Lichfield (Streethay) • Fradley • East of Burntwood Bypass • East of Rugeley • North of Tamworth Broad Development Location
Indoor Sports CIL funds may be spent on improving indoor sports provision to serve Lichfield City and its hinterland as set out in the Swimming Pool and Sports Hall Feasibility Study 2013.	No specific elements for indoor sports provision have been identified for new S106 funding.

Playing Pitches CIL funds may be spent on improving playing pitch provision in line with the deficiencies identified in the Playing Pitch, Tennis and Bowls Strategy.	S106 agreements will be required to secure the on-site provision and maintenance of playing pitch provision for the following SDAs and the North of Tamworth Broad Development Location identified in the Lichfield District Local Plan as: • South of Lichfield • Deans Slade Farm • Cricket Lane • East of Lichfield (Streethay) • Fradley • East of Burntwood Bypass • East of Rugeley • North of Tamworth Broad Development Location

Environment and Biodiversity	
Infrastructure to be funded in whole or in part by CIL	**Notes**
Environment and Biodiversity	
CIL funds may be spent on improving the public realm, landscapes and habitats; and improving access to green space, to include: • Chasewater Country Park improvements. • Central Rivers Initiative projects. • Improvements to the canal network to improve Green Infrastructure Links. • Local Nature Reserves. • Woodland and hedgerow projects. *Except on sites identified as biodiversity offsetting recipient sites.*	S106 agreements will be required to fund biodiversity offsetting measures where appropriate and as outlined in Local Plan Strategy 2008-2029 Policy NR3 and expanded upon within the Biodiversity and Development SPD.
Infrastructure works relating to the restoration of the Lichfield Canal will potentially benefit from CIL funds, *apart from works required in relation to any on-site provision by the developers connected to the three SDAs in the vicinity of the canal: South of Lichfield, Deans Slade Farm, Cricket Lane.*	Section 106 agreements will be required where appropriate to secure infrastructure works relating to the restoration of the Lichfield Canal for the three SDAs in the vicinity of the canal: South of Lichfield, Deans Slade Farm, Cricket Lane.

Cannock Chase Special Area of Conservation	
CIL funds may be spent on measures for preventing harm to the Cannock Chase Special Area of Conservation (CCSAC) agreed by the Cannock Chase SAC partnership i.e. the Strategic Access Management and Monitoring Measures (SAMMM) *apart from works required in relation to interpretation panels and waymarking as identified in the SAMMM.*	S106 agreements will be required for the Strategic Development Allocations (SDAs) to secure the provision of bespoke mitigation measures in relation to the Cannock Chase Special Area of Conservation other than the mitigation contained within the SAMMM. To satisfy Habitats Regulations and prevent harm to the Cannock Chase SAC, contributions via S106 agreements/unilateral undertakings will be required towards works required in relation to interpretation panels and waymarking as identified in the SAMMM by all new net dwellings which are not liable to, or exempt from CIL charges within the 0-8km Zone of Influence.

Other Infrastructure	
Infrastructure to be funded in whole or in part by CIL	**Notes**
Flood Mitigation General measures may benefit from CIL funds.	Site specific SUDS and offsite flood mitigation measures where they are required directly as a result of the development will be secured through planning conditions or S106 agreements.
Health facilities CIL funds may be used where evidence is provided that there is no local capacity and expansion of services is required to support growth across the district.	S106 agreements will be required for the Strategic Development Allocations (SDAs) to secure the provision of health care as identified in the Local Plan Strategy concept statements.
Social and community facilities will benefit from the local slice of CIL funds (15-25%) raised within their area. These funds can be distributed by Parish Councils and any neighbourhood planning forums that emerge, in line with evidence of local need.	S106 agreements will be required for the Strategic Development Allocations (SDAs) to secure the provision of community centres/hubs as identified in the Local Plan concept statements.
Low Carbon Initiatives / Carbon Investment Fund CIL funds may be used to support the delivery of Local Plan policy SC1 which states: The District Council is developing a Carbon Community Fund (CCF) which will support the achievement of carbon targets through financial contributions.	

Appendix D

Habitats Regulations Assessment

HRA addendum to Lichfield District Council Local Plan regarding the relationship of the Community Infrastructure Levy and Section 106 to the Cannock Chase Special Area of Conservation and new residential development[1].

Article 6(3) of the Habitats Directive requires that any plan or project, which is not directly connected with or necessary to the management of a European site, but would be likely to have a significant effect on such a site, either individually or in combination with other plans or projects, shall be subject to an 'appropriate assessment' of its implications for the European site in view of the site's conservation objectives. In light of the conclusions of that assessment, and subject to the provisions of Article 6(4) of the Habitats Directive, the Competent Authority shall agree to the plan or project only after having ascertained that it will not adversely affect the integrity of the site concerned and, if appropriate, having obtained the opinion of the general public. Article 6(4) provides that if, in spite of a negative assessment of the implications for the site, and in the absence of alternative solutions, the plan or project must nevertheless be carried out for imperative reasons of overriding public interest, the Member State shall take all compensatory measures necessary to ensure that the overall coherence of Natura 2000 is protected.

Habitats Regulation Assessments can be seen as having a number of discrete stages:

- Stage 1 – Screening
- Stage 2 – Appropriate Assessment
- Stage 3 – Assessment of Alternatives
- Stage 4 – Assessment where no alternatives are available

This document forms part 2 of the Habitats Regulation Assessment (HRA) process setting out the outcomes from the Appropriate Assessment stage of HRA and provides a record of Lichfield District Council's conclusion that the residential development within the 0-15km Zone of Influence will have no adverse effects on the integrity of the Cannock Chase SAC through the implementation of a developer contribution scheme utilising both the Community Infrastructure Levy and S106 funding .

This conclusion has been reached following analysis of the evidence base by Lichfield District Council as a competent authority. The authorities have concluded that an adverse effect on the integrity of the SAC would arise from residential development within 15km of this European Site in the absence of mitigation. The Strategic Access Management and Monitoring Measures (SAMMM) provides mitigation ruling out adverse effects on the integrity of the SAC.

1. Identification of European Site which may be affected

The European Site to be considered in this screening opinion is Cannock Chase SAC. A detailed description is at Appendix A.

2. Background

[1] Habitat Regulations Assessment : Lichfield District and Tamworth Borough (May 2012) and Main Modifications of the Lichfield District Local Plan: Strategy, Addendum to Habitat Regulations Assessment (January 2014)

In October 2005, a judgment the European Court of Justice required the UK to extend the requirements of Article 6(3) and (4) of the Habitats Directive to include the assessment of the potential effects of spatial and land use plans on European sites.

A Cannock Chase SAC Partnership was formed from competent authorities, and evidence commissioned by this Partnership suggests that the planned level of growth within a 15 kilometre radius of the Cannock Chase SAC (as set out in Map 1) is likely to have a significant effect on the designated site. The greater part of this effect would arise from development within a 0-8km zone (as set out in Map 1) as it has been determined through research that this zone would contribute the most visitors to the SAC[2]. The effect of increased visitor numbers consists of additional damage from site use and vehicle emissions[3].

In granting planning permissions the Local Planning Authorities must comply with their duty under the Habitats Regulations as Competent Authorities to ensure appropriate mitigation is delivered prior to developments being built and new visits generated.

The Cannock Chase SAC Partnership has developed and is implementing a developer contributions scheme to fund a package of access management measures[4] to offset the impact of new housing identified within the Local Plan policies of the planning authorities within the 0-15km Zone of Influence (ZOI). The SAC Partnership has determined to collect planning obligations up to the current value of £1.97 million to mitigate for this housing.

3. Project

Research commissioned by the SAC Partnership has shown that 75% of all visitors to the Cannock Chase SAC are from within a 15km radius of the SAC. The planned level of residential growth within a 15 kilometre radius from the edge of Cannock Chase SAC is likely to have a significant effect on the SAC in the absence of mitigation. The greater part of this effect would arise from development within a 0-8km zone as it has been determined through research that this zone would contribute the most visitors to the SAC.

A developer contributions scheme has been conceived by the SAC Partnership whereby the total cost of the SAMMM has been divided between the Partner Authorities in proportion to the planned housing provision within the 0-8km ZOI of Cannock Chase SAC (as shown in Map 1) during the relevant period. Based on the analysis of the visitor survey data (see footnote 2 on Page 2) and the cost of a proportionate suite of access management measures the Partnership agreed to collect developer contributions from the 0-8km ZOI to deliver the £1.97 million required in order to mitigate for the impact of new housing within the whole 0-15km zone. It is at the discretion of each authority within the 0-8km ZOI how to deliver their individual total mitigation monies required to the SAC Partnership.

Following the adoption of Lichfield District Council's Community Infrastructure Levy (CIL) Charging Schedule by Full Council on Tuesday 19th April 2016, the CIL Charging Schedule came into effect on 13th June 2016. A CIL charge will apply to all relevant applications determined on or after this date.

Regulation 123 of the CIL Regulations sets out the need for local authorities to produce a list of 'relevant infrastructure' which will be funded in whole or part by the CIL. Lichfield District Council's Regulation 123 list adopted on 21st February 2017 includes part of the Strategic Access Management and Monitoring Measures (SAMMM), i.e. measures for preventing harm

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[2] Further Analysis of Cannock Visitor Survey Data to Consider Apportioning Costs between Zones – Durwyn Liley, 30th September 2013.

[3] NE advice letter to the partnership dated 10/04/2013 – Vehicle emission issues are dealt with outside the SAMMM and through the Local Plan or development process.

[4] Strategic Access Management and Monitoring Measures (SAMMM)

to the Cannock Chase SAC as agreed by the Cannock Chase SAC Partnership. As such for CIL liable developments, CIL will fund the mitigation for new residential development which forms part of the adopted Local Plan Strategy within the 0-15km zone.

The CIL Governance arrangements provide a framework for the allocation of the CIL monies levied and were agreed at Full Council on 12th July 2016. The agreed Governance states that the Council will 'ring fence' CIL monies for the Cannock Chase SAC based on the proportion of planned housing provision within 0-8km of Cannock Chase SAC. To ensure Habitats Regulations are met, CIL funds will be allocated biannually to mitigate for residential development (as contained within the Local Plan Strategy) before any CIL is allocated to other strategic and/or local infrastructure.

Non CIL liable developments ie those types of residential development not on the CIL Charging Schedule or exempt and within the 0-8km zone of influence will be required to satisfy the Habitats Regulation by contributing via S106 towards elements of the SAMMM which have been omitted from the Regulation 123 list. The level of contribution is outlined in the District Council's 'Cannock Chase SAC - Guidance to Mitigate the Impact of New Residential Development'.

Other types of development and windfall housing sites not included in the calculations below have the potential to impact upon the SAC and these will need to be assessed and mitigation provided on an individual basis through discussions with Natural England and/or Lichfield District Council as the competent local authority. The estimated costings in the SAMMM will be monitored and may be reviewed and recalculated when the MOU is reviewed.

Local Authority in 0-8km Zone of Cannock Chase SAC	Housing numbers proposed in 0-8km zone	Percentage (%) of total housing delivery within the 0-8km zone	Proportion of SAMMM cost requirement per authority (over housing related plan period)
Lichfield District Council	1715	20.2	£397,710

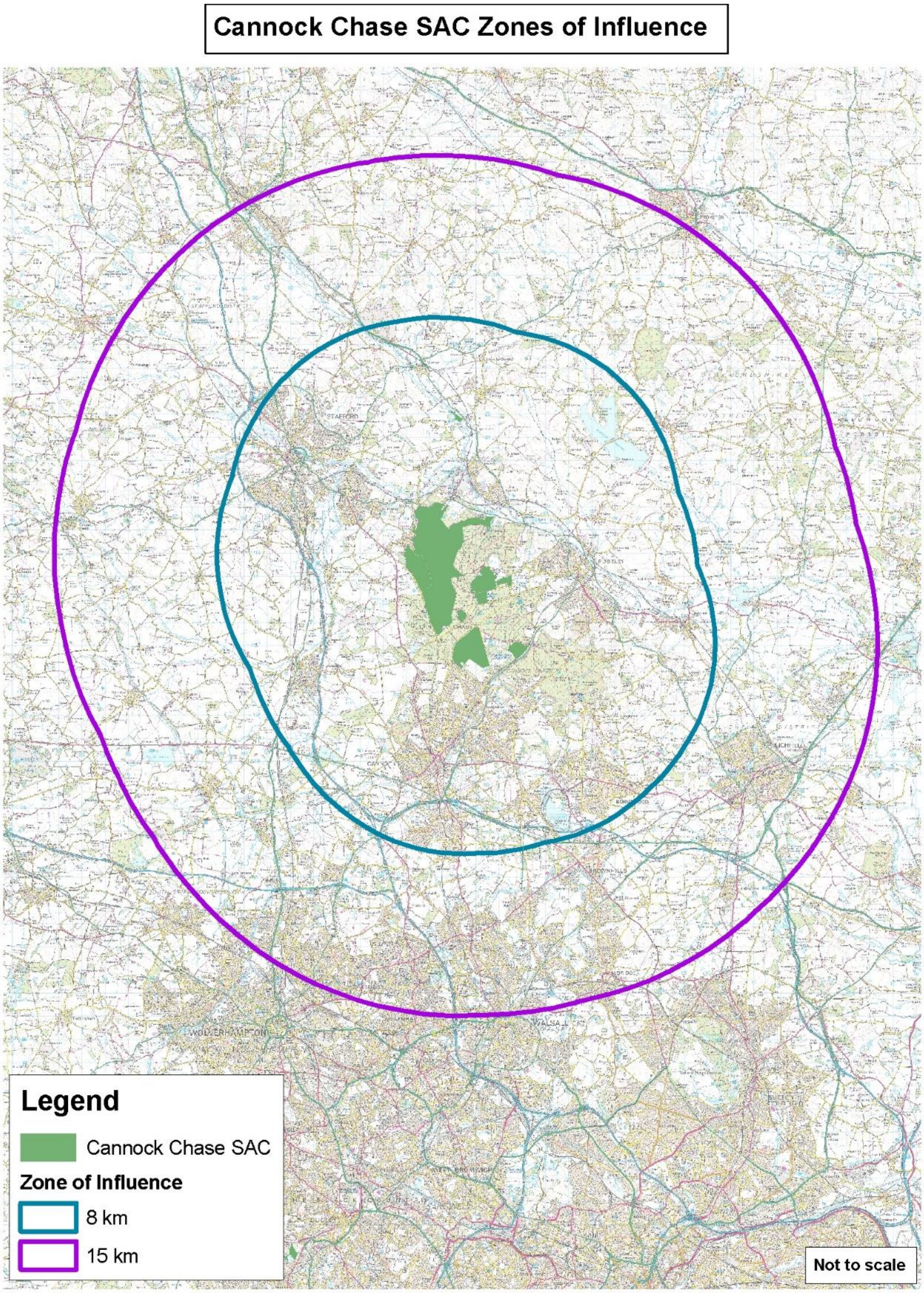
4. Timescale

The timescales over which the effects (both alone and in-combination) have been considered are the lifetime of the Project i.e. (the residential development forecast in the Zone of Influence within each of the Partnership Authorities' Local Plan periods). A review of the MOU and SAMMM will be triggered if the annual review indicates that these figures are being approached.

5. Conclusion

On the basis of the above, an adverse effect on the integrity of Cannock Chase SAC arising from the residential development set out in the adopted Lichfield District Local Plan Strategy can be ruled out. For those developments that do not form part of the adopted Local Plan, these will need to be assessed and mitigation provided on an individual basis through discussions with Natural England and/or Lichfield District Council as the competent local authority.

Map 1


Cannock Chase SAC Zones of Influence
STAFFORD
WOLVERHAMPTON
WALSALL
Legend
Cannock Chase SAC
Zone of Influence
8 km
15 km
Not to scale

Appendix A

Details of European Site potentially affected	
European Site Name	Cannock Chase
Designation Status	Special Area of Conservation (SAC)
Site Code	UK0030107
Date of Designation	2005
Qualifying Interests	H4030. European dry heaths H4010. Northern Atlantic wet heaths with *Erica tetralix*; Wet heathland with cross-leaved heath
Conservation Objectives	**European Site Conservation Objectives for Cannock Chase Special Area of Conservation. Site Code: 0030107** With regard to the SAC and the natural habitats and/or species for which the site has been designated (the 'Qualifying Features' listed below), and subject to natural change; Ensure that the integrity of the site is maintained or restored as appropriate, and ensure that the site contributes to achieving the Favourable Conservation Status of its Qualifying Features, by maintaining or restoring; • The extent and distribution of qualifying natural habitats • The structure and function (including typical species) of qualifying natural habitats, and, • The supporting processes on which the qualifying natural habitats rely This document should be read in conjunction with the accompanying Supplementary Advice document, which provides more detailed advice and information to enable the application and achievement of the Objectives set out above. **Qualifying Features:** H4010. Northern Atlantic wet heaths with Erica tetralix; Wet heathland with cross-leaved heath H4030. European dry heaths Or Natural England's most up to date Conservation Objectives.
Site condition	Unfavourable recovering
Factors currently influencing the site	The principal impact is visitor pressure leading to loss of the SAC dry heath vegetation to new paths, path expansion, associated erosion and eutrophication. The component of the SAC involved is the dwarf woody shrub community (e.g. heather and bilberry), rather than the extent of bare ground forming the paths and tracks. This means that visitors have an impact on a small proportion of a large habitat component

	of the site, rather than a large proportion of a more restricted feature. Current visitor use of the site is high.

HS2 Service Level Agreement to Recover Phase One Local Authority Costs

Cabinet Members: Councillors I. Pritchard & C. Greatorex

www.lichfielddc.gov.uk

CABINET

Date:	7th February 2017
Agenda Item:	7
Contact Officer:	Mr Sean Coghlan
Tel Number:	01543 308199
Email:	Sean.coghlan@lichfielddc.gov.uk
Key Decision?	**YES**
Local Ward Members	**All Wards within Phase 1 of HS2 – Bourne Vale, Whittington and Streethay, Alrewas and Fradley, and Armitage with Handsacre**

1. Executive Summary

1.1 The purpose of this report is to seek authority to enter into a Service Level Agreement (SLA) with HS2 Ltd to recover defined local authority costs. The SLA specifies which local authority services HS2 Ltd will re-reimburse on a cost recovery basis. These services are limited to Phase One and include: processing Schedule 17 planning approvals and environmental health prior consents (Section 61 of the Pollution Act 1974); pre-application advice; and attending route-wide planning forums and environmental health sub-groups. The SLA will run to 2026 or to the end of the Phase One construction period. Upon signing the SLA (recovery of defined costs), the Council waives the right to receive nationally set planning fees for Schedule 17 approvals.

2. Recommendations

2.1 That Cabinet delegates authority to the Cabinet Members for Economic Growth, Development and Environment and Housing and Health, and the Director of Place and Community to sign the Service Level Agreement with HS2 Ltd to recover defined Phase One local authority costs.

3. Background

3.1 The High Speed (London – West Midlands) Bill (The Bill) will grant planning permission for the construction of a high speed railway through Lichfield District. This permission will be subject to a number of conditions requiring the nominated undertaker (the party/parties who will construct the railway) to obtain the approval of Local Planning Authorities along the route for matters of detail, including the design of buildings, structures and features – such as bridges, viaducts, earthworks and tunnel portals.

3.2 The Bill gives each Local Planning Authority a choice between having a wide or narrow range of controls over the approval of such details. Local Authorities opting for a wider range of controls are referred to as 'qualifying authorities.'

3.3 On 7th July 2016 Cabinet gave authority for Lichfield District Council to sign the Planning Memorandum and become a qualifying authority responsible for issuing approvals in relation to the detailed design and appearance of buildings, structures and features of the scheme. Under Schedule 17 (the Planning Conditions Schedule) the nominated undertaker is required to submit requests for approval to qualifying authorities. The Department of Transport confirmed Lichfield District Council's status as a qualifying authority on 18th October 2016.

3.4 On 12th July 2016 Council amended the Constitution to allow the determination of all planning matters submitted under Schedule 17 (The Planning Conditions Schedule) of the Bill, including approval of delegated authority to nominated senior officers and the conditions under which applications will be reported to the Planning Committee.

3.5 In becoming a qualifying authority the Council has committed to dealing with applications in an expeditious matter (within 8 weeks) and to be sufficiently resourced to do so. Under the Government's New Burdens Doctrine it is proposed that Councils will be reimbursed for the cost of dealing with these additional applications, and other defined services, by way of payment of temporary costs via a SLA. As an alternative, funding for processing Schedule 17 approvals can be received through nationally set planning fees.

3.6 The SLA has been prepared in consultation with all local authorities along the phase one route and has collectively been agreed as a suitable template. The Council's Solicitor has been consulted and is satisfied with its content. Schedule 1 of the SLA lists those local authority services which can be funded for Phase One work. These areas of work include:

- Dealing with requests for approval for conditions of deemed planning permission under Schedule 17 of the HS2 Bill – including pre-application advice.
- Provision of technical and GIS spatial data for environmental assessment and design purposes.
- Attendance of Phase One Route Wide Planning Forum and Environmental Health and Heritage Sub-Groups, providing specialist advice and reviewing documents and knowledge exchange.
- Time spent by environmental health practitioners on handling and monitoring prior consents under Section 61 of the Control of Pollution Act 1974 associated with HS2 construction works – including pre-application advice and other early engagement work.

3.7 Schedule 2 details the Council staff eligible to claim costs. The list includes senior officers, managers, planning/environmental health officers and specialist staff involved in delivering Schedule 1 work. The pricing schedule sets out the hourly rate plus 15% to cover indirect costs. This is capped at £250 per day. Should the authority need to use consultants or contractors to carry out these duties, these are capped at £600 per day.

3.8 A benchmarking exercise undertaken by the Planning Advisory Service in 2013, confirmed that nationally set planning fees only covered 67% of Lichfield District Council's chargeable costs in processing applications. More recent LGA research confirms that on average only 70% of chargeable development management work is covered by planning fees. Within this context, it is highly likely that nationally set planning fees would fall well short of covering the planning department's costs in processing these applications, resulting in a financial pressure on the service. Furthermore, it should be noted that currently the Environmental Health team has a statutory duty to process S61 pollution control applications, and that this service is non-chargeable. Through signing the SLA, all defined S61 work associated with Phase One will be recoverable.

3.9 The latest forward plan of Schedule 17 approvals estimates 12 applications being submitted in 2017 – starting from March 2017. These involve approvals for the early works contract and include works such as habitat mitigation, construction compounds and haul roads. For 2018, the main approvals for the construction work will be submitted for approximately 70 applications (significant increase in work), and these include the construction of viaducts, overbridges and earthworks. It is proposed to use internal staff for processing applications in 2017 (minimal small scale work). An assessment of resources will be required in advance of 2018, with a business case prepared for additional full or part-time support (potentially shared with another Authority) to be considered in due course.

3.10 In summary, becoming a qualifying authority involves a commitment by the Council to adequately resource and deal with applications with agreed timetables, in return for greater control over a wider range of matters than would otherwise be the case. Through entering into an SLA with HS2 Ltd, the Council will be ensuring that these additional areas of planning and environmental health work will be delivered on a cost recovery basis (whether in house or through external support). This will ensure the Council can adequately resource this high profile area of work which it is obligated to undertake as a qualifying authority.

Alternative Options	1. The Council could decide not to sign the SLA and as an alternative receive nationally set planning fees for the submission of Schedule 17 planning approvals. In addition, the Council would still have a statutory duty to process S61 pollution control consents, but would not be able to charge for the costs of covering this additional work (non-chargeable).

Consultation	1. None.

Financial Implications	1. Entering the SLA will ensure that the planning and environmental health work undertaken is reimbursed on a cost recovery basis. 2. The alternative option of not entering the SLA and receiving nationally set planning fees is not likely to cover the cost of processing Schedule 17 approvals. Further costs will be incurred as the Council cannot charge for processing Section 61 pollution control applications.

Contribution to the Delivery of the Strategic Plan	1. Ensuring that the costs of becoming a qualifying authority are covered accords with being fit for the future, in delivering good value services within budget.

Equality, Diversity and Human Rights Implications	1. Becoming a qualifying authority will ensure the Council can engage with stakeholders in the process, thus enabling them to contribute and influence the decision making process in an open and transparent manner.

Crime & Safety Issues	1. There will be no impact upon our duty to prevent crime and disorder within the District (Section 17 of the Crime and Disorder Act, 1988).

	Risk Description	How We Manage It	Severity of Risk (RYG)
A	The Council decides not to sign the SLA and opts for nationally set planning fees and the processing of non-chargeable S61 applications, resulting in a failure to recover the full cost of service delivery.	Clearly highlight the benefits of entering into the SLA to ensure cost recovery of service delivery in accordance with the requirements of the Planning Memorandum.	Yellow. The Council would be failing to recover all of its costs (resulting in a financial pressure), and at risk of failing to meet agreed levels of service delivery as a qualifying authority.
B	The Council signs the SLA, but fails to meet performance standards of a qualifying authority as set out in the Planning Memorandum.	Ensure sufficient resources are allocated to allow the expeditious handling of applications in accordance with agreed performance indicators.	Yellow. Through under resourcing this work, the Council would be at risk of losing its 'Qualifying Authority' status and local control over influencing the detailed design of this high profile project.

Background documents:

- 7 July 2016 Cabinet and 12 July Council – HS2 Draft Planning Memorandum – Decision on Qualifying Status.

Relevant web links:

MINUTES OF LICHFIELD DISTRICT PARISH FORUM

Tuesday 10 January 2017 at 7.00 pm
Held in the Council Chamber
District Council House, Frog Lane, Lichfield

CHAIRMAN: Councillor Mrs S Barnett (Chairman)

PRESENT:

Lichfield District Council Parish Forum Members – Councillor R A J Bamborough (Vice-Chairman), Councillor Awty, Councillor E Hassall (Also representing Shenstone Parish Council), Councillor Miss B Fisher and Ray

Also Present:

Councillor Mrs J Altham (Alrewas Parish Council), Mrs B Brettell (Burntwood Town Council) Mrs M Conolly (Burntwood Town Council), Councillor D Leytham (Lichfield District Council), Kate Roberts (Fradley and Streethay Parish Council), Councillor Mrs J Marks (Lichfield City Council), Councillor Mrs G Stockdale (Mavesyn Ridware Parish Council), Councillor K Vernon (Mavesyn Ridware Parish Council) Councillor H Warburton (Fradley and Streethay Parish Council) and Councillor K V Wasdell (Hammerwich Parish Council), Councillor M Wilcox (Lichfield District Council) and Councillor A Yeates (Lichfield District Council)

1. INTRODUCTION AND WELCOME

Councillor Mrs Barnett welcomed everyone to the meeting and introduced Councillor Mike Wilcox (Leader of the Council) who explained the purpose of the Forum which was for Lichfield District Council to engage with Parish Councillors in the district. Councillor Wilcox said he was disappointed to note the lack of support to date and hoped attendees who had come tonight could encourage colleagues to attend these meetings as, unfortunately, the lack of attendance had been noted and may mean the meetings will need to be reviewed. These meetings were only held twice a year and he felt very important.

2. APOLOGIES FOR ABSENCE:

Apologies for absence were received from Councillor Mrs J Allsopp, Mrs B Constable, Councillor J Carter (Colton Parish Council), Councillor G. Kynaston (representing Hints Parish Council), Longdon Parish Council and Clifton Campville with Thorpe Constantine Parish Council as both have their own Parish Council Meetings this evening.

3. MINUTES OF MEETING HELD ON 14 JULY 2016

The Minutes of the Meeting held on 14 July 2016 as circulated were received.

4. HOW WE CALCULATE THE COUNCIL TAXBASE FOR PARISH COUNCILS

Mr Anthony Thomas (Internal Business Support Services Executive) of Lichfield District Council gave a presentation on the "Calculating the Council Taxbase" which involved a history lesson on Council Tax, the calculation of the Council Taxbase in the Lichfield District and How does the Council Taxbase in 2017/18 compares to 2016/17. It was agreed to circulate the slides to Parish Clerks for onward transmission to members. Mr Thomas was thanked for his presentation.

Questions were asked as to whether Parishes' precepts could be changed if some had not yet been set. Mr Thomas said yes and advised this may be an idea as he knew the Government had raised the subject of capping the Parish precepts recently but he understood the decision had been deferred for a year. The procedure of allowing each Parishes' precepts was queried and Mr Thomas said the District Council look at each application one by one and allow whatever is requested as the district would then look to collect it in from the council tax set for that parish.

Clarification was sought as to the timescale for Lichfield District Council to set their council tax. Mr Thomas advised that this was not set until February but the Government had allowed some Councils to increase by an additional 2% in each year over a three year period or 3% and 3% in the first two years of the three year period if they provided a social care service as there was a lack of government funding for social care which was bound to have a big impact to people in their area. He reminded members that other precepting bodies such as Police and Fire had to also be taken in to account. Local Council Tax Support Grant had been reduced by the District Council in the same proportion as the Council's reductions in Government funding. The scale of future reductions in funding for the District Council will mean different options including ceasing funding will need to be considered.

Councillor Wilcox advised that it looked as though the support grant we currently give to Parish Councils would be reduced in the future and mentioned that all Parishes should bear this in mind when preparing their precepts (this was because Lichfield District Council is being capped at £5.00 increase so it will need to be reduced).

5. SAFEGUARDING PRESENTATION: What safeguarding means, roles and responsibilities and what to do if you have any concerns

Susan Bamford (Partnerships and Policy Manager & Designated Safeguarding Officer) of Lichfield District Council gave a Safeguarding presentation which covered the meaning of Safeguarding, the roles and responsibilities and what to do if you have any concerns. She explained that everyone is responsible for safeguarding but ultimately the Police and Adult/Children Social Care are responsible for investigating any concerns raised. However, people out and about in the community may come into contact with children and adults at risk and have concerns they can pass on. As a District Council we have a responsibility to safeguard and promote the welfare of children and "adults at risk" and our Safeguarding Policies and Procedures help us deliver these responsibilities. There is also an expectation that all organisations who work with children and adults at risk have Safeguarding policies and procedures in place. She informed the committee that the District Councils Safeguarding Group are looking at a model policy which the Parish Councils could adopt.

Indicators of abuse were discussed and the most common forms of abuse were identified. The key points to remember are:-

- Child and adult abuse does occur in <u>all</u> social classes, across <u>all</u> professions and <u>all</u> ages;
- In all geographical areas;
- Child and adult abuse has damaging and long lasting effects on children and adults;
- Safeguarding is everyone's responsibility;
- Your piece of the jigsaw may be key.

Useful websites were circulated as well as the useful telephone numbers to be used if any safeguarding concerns were raised and it was agreed to circulate the slides to all Parish Clerks for onward transmission to members. Susan Bamford was thanked for her presentation and she offered any help and guidance if anyone was in any doubt about how to proceed.

Susan was asked if it would be a good idea for the Parish Councils to have a Safeguarding Officer and she said it was dependent upon if the Parish Council came into contact and had events where children and adults at risk were involved.

The question was asked whether the different Agencies were now working better together and Susan confirmed that recent serious reviews in Staffordshire suggested this was the case. She also advised that Lichfield District Council was working to raise awareness of Safeguarding with the taxi drivers across the district and she had delivered Safeguarding training to taxi drivers. Susan agreed to help advise any Parish Council on training issues if they had any.

It was commented that there was no mention of social media i.e. Facebook/Twitter in the Safeguarding presentation as a member felt there were huge emotional issues on-line with a major risk of grooming and this was agreed. A recent Murder case in Leicestershire was discussed and it was advised that Leicestershire Police had put a 5 minutes film together with the consent of the parents, to warn teenagers of the risks of grooming on-line. Everyone was recommended to look the video up at https:leics.police.uk/categories/kayleighs-love-story.

6. RESPONSIBILITIES OF COUNTY COUNCIL AND BOROUGH/DISTRICT COUNCIL

The Chairman explained that previously Mr Richard King (now Director of Place & Community) had delivered a useful presentation on the role and responsibilities of the Lichfield District Council and Staffordshire County Council as a lot of confusion often arose around the different responsibilities. An information leaflet was circulated listing the different responsibilities and the Chairman asked all members to take it back to their Parish Clerks to distribute to all.

7. ANY OTHER BUSINESS

There was no further business, however, the Chairman reiterated the Leader's opening speech. She appealed for any items for discussion at future meetings as she did not want to see this Forum disband through lack of support.

8. DATES OF NEXT MEETING

The next meeting was yet to be scheduled.

(The Meeting closed at 7:55 pm)

CHAIRMAN